



Highlights of [GAO-04-430](#), a report to congressional requesters

CONTRACT MANAGEMENT

Agencies Can Achieve Significant Savings on Purchase Card Buys

Why GAO Did This Study

From 1994 to 2003, the use of government purchase cards exploded from \$1 billion to \$16 billion. Most purchase card transactions are for small purchases, less than \$2,500. While agencies estimate that using purchase cards saves hundreds of millions of dollars in administrative costs, the rapid growth of the purchase card presents opportunities for agencies to negotiate discounts with major vendors, thereby better leveraging agencies' buying power.

To discover whether agencies were doing this, we examined program management and cardholder practices at the Departments of Agriculture, Army, Navy, Air Force, Interior, Justice, Transportation, and Veterans Affairs. GAO also examined why agencies may not have explored these opportunities.

What GAO Recommends

GAO is making several recommendations to each of the agencies as well as the Office of Management and Budget and the General Services Administration (GSA), aimed at encouraging agencies to begin taking steps to achieve savings through the purchase card program. GAO received comments on a draft of this report, either written or via e-mail, from the Departments of Agriculture, Defense, the Interior, Transportation, and Veterans Affairs and from GSA. In general, the agencies agreed with GAO's findings and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-430.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Cooper at (202) 512-5841 (cooperd@gao.gov) or Greg Kutz at (202) 512-9505.

What GAO Found

Although some agencies have begun to take actions to achieve savings through their purchase card programs, most have not identified and taken advantage of opportunities to obtain more favorable prices on purchase card buys—opportunities that could yield hundreds of millions of dollars in savings. For example, most agencies have established some discount agreements with major purchase card vendors (those vendors with whom they did more than \$1 million in purchase card business in fiscal year 2002), but these agreements cover only a few of the hundreds of major vendors and a limited number of products. Further, because agency purchase card training programs lack practical information to help cardholders take advantage of existing discount agreements or GSA's Federal Supply Schedule contracts, cardholders paid higher prices than necessary. The agencies that have taken steps to obtain better prices by negotiating discounts with their major vendors have achieved notable savings on purchase card buys. For example, in fiscal year 2003, the Agriculture Department negotiated a discount agreement for office supplies that yielded savings of \$1.8 million—about 10 percent off Schedule contract prices—and the Interior Department recently negotiated agreements with information technology vendors for discounts up to 35 percent off Schedule prices. A conservative approach indicates that, if the agencies we reviewed obtained discounts of only 10 percent with their major vendors, annual savings of up to \$300 million could be achieved.

Most agencies have not more aggressively pursued savings through the purchase card because of a lack of management focus—simply put, this issue has not been the center of attention for managers. Further, the Office of Management and Budget has not leveraged its governmentwide oversight role by collecting and disseminating information on the successful initiatives some agencies have undertaken. Agency officials also expressed concerns that imposing additional requirements on cardholders would undermine the program's intent to streamline acquisitions and that pursuing discount agreements with large suppliers would limit their ability to provide opportunities for small businesses. They also cited poor data as a barrier to identifying savings opportunities. However, as individual agencies have demonstrated, these concerns are not insurmountable. For example, the Air Force's Air Mobility Command provides its cardholders a list of community vendors—many of which are small businesses—that offer discounts, making it easy for the cardholders to obtain discounts from local small businesses. Despite data limitations, information such as vendor sales reports could be used to identify major vendors with whom to pursue discount agreements and to provide insight into cardholder activity.