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Optimizing Procurement: The Effect of GPC Limit Increases on Acquisition Speed and Oversight

June 2025

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Prepared for the Naval Postgraduate School, Monterey, CA 93943.

ACQUISITION RESEARCH PROGRAM
DEPARTMENT OF DEFENSE MANAGEMENT
NAVAL POSTGRADUATE SCHOOL

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ABSTRACT

To support streamlining governmental purchase and cost savings, this project explores how increasing Government Purchase Card (GPC) spending limits can enhance procurement practices within the Department of Defense (DoD) while maintaining rigorous oversight and accountability. The study examines the potential benefits associated with raising the Micro-Purchase Threshold (MPT) to $25,000, focusing on improvements to acquisition speed, administrative burden reduction, and responsive procurement processes. To ensure proper checks and balances in this high-limit GPC environment, the research addresses comprehensive oversight mechanisms, such as data analytics tools, robust auditing protocols, and supportive leadership. At the same time, the project acknowledges some of the key risks that may arise from the elevated GPC limit, to include heightened fraud potential, and compliance challenges. The research provides some recommended mitigation measures to safeguard against these risks. Finally, by collating policy analysis, stakeholder perspectives, best practices in financial oversight, and historical contracting data, the project provides insights aimed to support decision-makers as they consider policy adjustments to optimize DoD procurement efficiency, accountability, and transparency.

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LIST OF ACRONYMS AND ABBREVIATIONS

AI	artificial intelligence
BLS	Bureau of Labor Statistics
CFO	Chief Financial Officers
CPI	Consumer Price Index
DAU	Defense Acquisition University
DAWIA	Defense Acquisition Workforce Improvement Act
DoD	Department of Defense
FAR	Federal Acquisition Regulation
FASA	Federal Acquisition Streamlining Act
FPDS	Federal Procurement Data System
FY	fiscal year
GAO	Government Accountability Office
GSA	General Services Administration
GPC	government purchase card
IDV	Indefinite Delivery Vehicle
IMPAC	International Merchant Purchase Authorization Card
MPT	micro-purchase threshold
NASA	National Aeronautics and Space Administration
NDAA	National Defense Authorization Act
NPR	National Performance Review
OMB	Office of Management and Budget
OPM	Office of Personnel and Management
RMBCS	Rocky Mountain Bank Card System
SAT	Simplified Acquisition Threshold
SBA	Small Business Association

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I. INTRODUCTION

This chapter introduces the research topic, providing the foundation for the study. It presents the problem statement, research questions, and methodology, setting the stage for the analysis to follow. The GPC program is a key tool used by the Department of Defense (DoD) and other federal agencies to streamline procurement processes for small-value purchases. However, the current micro-purchase threshold (MPT) presents challenges that impact efficiency, cost savings, and operational readiness.

The research examines whether increasing the micro-purchase threshold could enhance procurement efficiency while maintaining oversight and accountability. The chapter outlines key issues related to current GPC limitations, explores the historical context of purchase thresholds, and highlights the potential benefits and risks of increasing these limits. Additionally, it provides an overview of the research structure, explaining how subsequent chapters will build on this foundation to explore the topic in greater depth.

A. PROBLEM STATEMENT

The GPC program was designed to simplify and expedite the procurement of low-cost goods and services, reducing the administrative burden of traditional contracting methods (Defense Acquisition University [DAU], n.d.). However, from our experience operating in the fleet and on the waterfront supporting operational ships and units, the current MPT, though periodically adjusted, often fails to meet operational demands, particularly in high-tempo environments like the DoD. Inflation and evolving requirements have further eroded the GPC's purchasing power, limiting its effectiveness in addressing small-value, high-frequency procurement needs.

In addition, our research shows that current limits place unnecessary strain on contracting offices and personnel, which are required to process transactions that could otherwise be handled through the GPC program. At the same time, there is concern that increasing GPC spending limits could heighten risks of fraud, waste, and abuse, highlighting the need for robust oversight mechanisms. This capstone project explores how

increasing GPC limits could enhance procurement efficiency while maintaining accountability through appropriate safeguards already in place.

B. RESEARCH QUESTIONS

This capstone project addresses specific research questions that serve as the foundation for the project.

- Q1: How can increasing GPC spending limits improve operational efficiency in the DoD while ensuring accountability?
- Q2: What are the potential benefits of increasing the MPT limit to $25,000?
- Q3: What oversight mechanisms, such as data analytics, can help maintain accountability in a high-limit GPC system?
- Q4: What risks are associated with higher GPC limits, and how can these risks be mitigated?

This project is focused on the primary research question, which is posed to determine how an increased spending limit could benefit DoD efficiency. The foundation query is supported by a secondary question which is posed to determine the potential benefits to increasing the MPT limits from $10,000 to $25,000 using contracting data between FY2020 and FY2023. Finally, the follow-on questions delve into some of the possible consequences such an increase could have and how to address them.

C. METHODOLOGY

This research uses a mixed methods approach to address the research questions. Our literature review will provide a thorough review of Government Accountability Office (GAO) reports, Inspector General audits, previous NPS theses, and other relevant literature to identify trends, challenges, and opportunities in the GPC program. Using quantitative analysis, we will examine procurement data to evaluate the relationship between transaction thresholds, processing times, and administrative costs. Using qualitative analysis, we will review policies to assess relevant regulations, such as the Federal

Acquisition Regulation (FAR), to evaluate how policy changes can align with the study's findings.

D. LIMITATIONS AND SCOPE

The research in the study is limited to DoD contracting purchases between FY2020 to FY2023 and the potential implications that the proposed MPT limit increase could have across the DoD. The primary focus is on the GPC program within the DoD, specifically examining its impact on operational efficiency and accountability. The scope includes an analysis of current thresholds, risks associated with increasing limits, and potential oversight mechanisms.

However, the study has specific limitations. First, there is a lag in data updates and the possibility of contracts being omitted for security purposes within the fpds.gov databases, which could affect data completeness. Secondly, although the number of contracts found in the initial data pull numbered over 200,000 the decision was made to remove all indefinite delivery vehicle (IDV) contracts. While it is likely that the increase in the MPT limit would reduce the need for some of these IDVs, without detailed contracting information it is impossible to determine how to accurately account for each. Furthermore, the retrieved data is limited to FY2020 through FY2023, and as such all conclusions drawn will be bounded by the timeframe. Additionally, external factors beyond the scope of this project could affect use of the GPC. In spite of these limitations, this capstone project's objective is to present the benefits that could be realized by the DoD and to provide recommendations for future actions.

E. ORGANIZATION OF THE CAPSTONE PROJECT

Chapter I of our capstone project provides a brief introduction as well as outline research problems, questions, methodology, and scope. Chapter II will cover the background, providing context for the study, including the history and evolution of the GPC program and its current challenges. Chapter III will consist of a detailed literature review synthesizing existing research on GPC operational efficiency, fraud risks, and oversight mechanisms. Chapter IV will provide an overview of our research methodology and approach. Chapter V will provide analysis and findings by presenting the results of the

case studies, data analysis, and policy review. Finally, Chapter VI will conclude the study by providing conclusions and recommendations, summarizing the study's findings, and providing actionable recommendations.

F. SUMMARY

This chapter introduced the research topic and its significance, framing the discussion around the GPC program and its micro-purchase threshold. The problem statement outlined the inefficiencies caused by current limitations, and the research questions established the study's objectives. The methodology was briefly described, explaining the approach for data collection and analysis. The chapter concluded by providing an overview of the capstone project structure, previewing how each subsequent chapter will contribute to answering the research questions.

II. BACKGROUND

This chapter provides the historical and regulatory context for the GPC program. Understanding the origins, legislative developments, and operational framework of the GPC is crucial to evaluating whether an increase in the micro-purchase threshold is justified. The chapter explores how the GPC was created to reduce administrative burdens and expedite procurement processes, tracing its evolution through key legislative milestones such as the Federal Acquisition Streamlining Act (FASA) of 1994 and the Government Charge Card Abuse Prevention Act of 2012.

Additionally, this chapter outlines the challenges currently faced by the GPC program, including inflation's impact on purchasing power, inefficiencies in procurement processes, and oversight concerns related to fraud and misuse. The discussion also highlights the role of the micro-purchase threshold in shaping procurement policies, setting the stage for the literature review in Chapter III.

A. HISTORICAL CONTEXT

Originating in the late 1980s, the GPC program was established by the United States government as a tool to pay for goods and services and streamline the purchasing process. Its aim was to reduce the administrative burden on contracting offices and increase procurement efficiency (Rodrigues, 1996).

The overall GPC program is managed by the U.S. General Services Administration (GSA), while the Federal Acquisition Strategy provides guidance and procedures for the card's use. The Federal Acquisition Streamlining Act defined a MPT of $2,500 to allow government personnel to make purchases under this amount without having to go through traditional contracting channels. Additionally, the FAR was updated to designate the GPC as the preferred method of payment for micro-purchases (Federal Acquisition Regulation 13.2, 2025)

From the 1990s to the 2000s, GPC spending grew significantly. Between 1999 and 2008, annual GPC spending increased almost 60% from around $14 billion in fiscal year (FY) 1999 to over $22 billion in FY 2008 (Larin, 2017). Further, a 2016 GAO report shows

that from 2010 to 2015, the GPC spending ranged from $17 to $19.5 billion annually for goods and services of which 97% were valued below the MPT (Mak, 2016). Additionally, the article cites that use of the GPC program saves the government approximately $1.7 billion annually in administrative costs over traditional contracting methods.

B. ORIGINS OF THE GPC PROGRAM

The foundation of the GPC program was created with Executive Order 12352 in 1982, emphasizing reduced administrative costs throughout the federal government and proposing the introduction of purchase cards for the buying of goods and services (Executive Order No. 12352, 1982). Following Executive Order 12352, a pilot program was initiated by the Department of Commerce to test the use of purchase cards. After the program's launch in 1986 from the Office of Management and Budget (OMB), reports showed the use of GPCs were more efficient than traditional contracting methods for purchasing goods and services (Rodrigues, 1996). A 2008 Gupta and Palmer article detailed how, after the pilot program proved successful, in 1989, GSA launched a GPC program throughout the government called the International Merchant Purchase Authorization Card (I.M.P.A.C) through the Rocky Mountain BankCard System (RMBCS). This program allowed government agencies to make purchases directly from vendors and set guidance for purchase card use (Gupta & Palmer, 2008). The Clinton administration's National Performance Review (NPR) in 1993 further accelerated adoption of the GPC program by recommending increased purchase card usage and by 1994, purchase card usage had increased by 119% (Office of Management and Budget, 1994). FASA further established the GPC program, setting the MPT at $2,500 and eliminating competition requirements for purchases below this limit (Federal Acquisition Streamlining Act of 1994).

C. LEGISLATIVE MILESTONES

Legislation and executive orders have been instrumental in shaping the GPC program, beginning with the introduction of FASA in 1994. This Act established the MPT of $2,500 for goods and services and simplified acquisition requirements, making purchase cards the preferred tool for small-value procurements (Federal Acquisition Streamlining

Act of 1994). Additionally, Executive Order 12931 (1994) expanded the use of purchase cards and aimed to take advantage of the FASA to empower program officials to authorize micro-purchases (Executive Order No. 12931, 1994). In 1998, the SmartPay Program was introduced by the GSA replacing the I.M.P.A.C. program with SmartPay, offering streamlined services from multiple card issuers (GSA, n.d.). The Bob Stump National Defense Authorization Act for Fiscal Year 2003 mandated reforms in the DoD's purchase card program, including tighter controls and enhanced training for cardholders (Bob Stump National Authorization Act, 2003). The Purchase Card Waste Elimination Act of 2005 focused on improving oversight and encouraging agencies to leverage data for cost savings through bulk purchasing and vendor negotiations (Purchase Card Waste Elimination Act, 2005). Later, the Government Charge Card Abuse Prevention Act of 2012 enhanced oversight and aimed to reduce misuse and abuse of government charge cards and GPCs. It requires federal agencies to implement strict internal controls such as review, audits, training and reporting requirements to maintain accountability. (Government Charge Card Abuse Prevention Act, 2012). Table 1 below, from Gupta and Palmer, lays out government actions from 1982–2005.

Table 1. Government Actions Related to the Purchase Card Program. Source: Gupta and Palmer (2008).

Government Actions	Year
Executive Order 12,352	1982
Pilot Phase of a Government Commercial Credit Card	1986
Introduction of Government-wide Purchase Card System	1989
National Performance Review (NPR) Recommendations	1993
Federal Acquisition Regulation (FAR) Interim Rule	1994
Federal Acquisition Streamlining Act (FASA)	1994
Executive Order 12,931	1994
Introduction of SmartPay	1998
Office of Management and Budget Memo	2002
Proposed legislation	2005

D. PROGRAM CHALLENGES

While the GPC program has been successful in streamlining procurement, it faces many challenges such as the reduction of purchasing power due to inflation, operational inefficiencies due to the current MPT limits, risk of misuse and fraud, and inconsistent policies across agencies. One of the major challenges with the current GPC program is the impact of inflation on the card's purchasing power. The Ronald Reagan National Defense Authorization Act (NDAA) for Fiscal Year 2005 and 41 U.S.C. § 1908 mandate that the FAR Council adjust procurement thresholds for inflation every five years. The last review took place under FAR Case 2019–013 during FY 2020 (FAR Case 2019–013, 2020). However, adjustments have not kept pace with current inflation trends. For example, in 2020 the MPT limit was raised to $10,000 to reflect increased inflation. Data from the Consumer Price Index (CPI) shows that the $10,000 limit set in 2020 has already lost significant purchasing power and adjusted to January 2025 dollars would equate to $8,173 (Bureau of Labor Statistics [BLS], n.d.). This reflects a loss of over 14%. This means that purchases that previously fell underneath the micro-purchase limit, could now be required to go through traditional contracting methods. Despite the FAR council's previous adjustments for inflation, current economic conditions, as seen since COVID-19 in 2020, suggest the need for more frequent reviews and adjustments.

Another challenge with the GPC program is operational inefficiencies. Under the current thresholds, operational units often face delays in acquiring essential goods and services. When purchases exceed the micro-purchase threshold, what would otherwise be a nearly instant purchase using the GPC must go through more complex contracting procedures, such as competitive bidding, which can take weeks or even months to complete. These processes also have significantly higher administrative costs compared to GPC transactions. Research has shown that raising the MPT from $10,000 to $20,000 could save the government over $30 million annually in administrative costs and provide significant rebates while simultaneously reducing procurement lead times, as simplified acquisition procedures impose substantial compliance and administrative burdens when compared to GPC purchases (Murphy et al., 2024). The article further stipulates that each GPC transaction saves an estimated $70 in administrative costs, highlighting the efficiency

of the GPC over traditional contracting methods. Finally, these inefficiencies in the current system can lead to delays that negatively impact mission readiness, particularly when operational units require urgent supplies and services.

Given the inefficiencies associated with GPC use it seems as though it should be simple to direct increased use on the card, unfortunately fraud, waste, and abuse have long been concerns within the program, although significant improvements have been observed since the program's inception. A 2008 GAO report identified serious weaknesses in internal controls, which led to unauthorized transactions, insufficient oversight, and inadequate training, raising concerns about program accountability (Kutz, 2008). However, by 2017, a follow-up GAO report found that program safeguards had significantly improved. Both GSA and OMB implemented stronger controls, such as enhanced training, better monitoring tools, and revised guidance. While evidence of fraud had declined, the report still flagged weak documentation as an ongoing issue that could obscure potential misuse (Larin, 2017). This suggests that while reforms have reduced risks, further improvements in record-keeping and oversight are necessary to maintain accountability.

The GPC program also faces challenges with inconsistent policies across various branches and organizations of the government. Variability in oversight practices across agencies has resulted in inconsistent implementation of GPC policies. Some organizations have excelled in leveraging the program, while others struggle with inefficiencies and compliance issues. For example, in the Air Force, the GPC can be used to make purchases of up to $25,000 if the purchase is made from a pre-existing government contract or if the cardholder is outside of the United States (SAF/AQC, 2022).

Other inconsistencies within the GPC program include the different purchase limits for goods and services. Although the micro-purchase limit has recently been increased to $10,000 for goods in the National Defense Authorization Act (NDAA) for FY 2018, the limit remains at a mere $2,500 for the acquisition of services due to the Services Contract Act and $2,000 for construction in accordance with the Davis-Bacon Act. Recent legislative proposals from the OMB suggest modifying the micro-purchase limits for services and construction to $10,000 to bring uniformity across procurement thresholds (OMB, 2019).

E. KEY POLICIES AND REGULATIONS

The GPC program operates under a framework of federal acquisition policies and regulations designed to ensure transparency, accountability, and reduce fraud and abuse. Key regulatory elements include the FAR. FAR Part 13 governs simplified acquisition procedures, including the GPC program. These regulations set thresholds, define authorized use, and outline training requirements for cardholders and approving officials (FAR, 2024). The Government Charge Card Abuse Prevention Act of 2012 mandates stricter oversight and internal controls to prevent fraud, waste, and abuse (Public Law No. 112–194, 2012). Additionally, the Defense Acquisition Workforce Improvement Act (DAWIA) provides training and certification requirements for personnel involved in procurement, ensuring competence in managing purchase card transactions.

F. RELEVANCE TO THE DEPARTMENT OF DEFENSE

The GPC program is crucial to the DoD in environments with high operational demands that require flexible and streamlined procurement options. The GPC program supports mission readiness by reducing the administrative burden on traditional contracting offices. The program streamlines small-dollar acquisitions for the DoD by enhancing eBusiness capabilities, improving policy compliance, and strengthening internal controls. A recent report from the Office of the Under Secretary of Defense for Acquisition and Sustainment shows significant annual spending through the GPC program, totaling over $5.3 billion in FY23 with over 3.6 million transactions as well as continued adoption of GPC accounts with approximately 65,000 active cardholder accounts in FY23 (Office of the Under Secretary of Defense, 2024). However, the current thresholds often reduce the program's utility. Small-value purchases exceeding the micro-purchase limit must undergo traditional contracting processes, delaying acquisitions and potentially impacting operations. Raising the GPC thresholds could alleviate these issues, allowing units to meet their procurement needs more efficiently.

G. SUMMARY

This chapter provided a detailed background on the GPC program, outlining its historical development and regulatory framework. Key legislative acts were discussed,

demonstrating how the program evolved to enhance procurement efficiency. The chapter also identified major challenges, including inflation-driven purchasing power reductions, policy inconsistencies, and oversight issues. By establishing this foundational understanding, the chapter prepared the reader for the literature review, where prior research and reports on GPC policies, efficiencies, and risks will be examined in greater depth.

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III. LITERATURE REVIEW

This chapter reviews a theory with which to view the capstone project, existing research, government reports, and academic studies relevant to the GPC program and the micro-purchase threshold. The literature review synthesizes findings from sources such as GAO reports, Inspector General audits, and scholarly research to assess how the current spending limits impact procurement efficiency. It also examines prior studies on the effectiveness of raising purchase thresholds, exploring potential benefits and risks associated with such policy changes.

The chapter is structured to first examine the rationale behind the micro-purchase threshold, including its intended purpose and historical adjustments. Next, it reviews studies analyzing the impact of threshold increases on procurement speed, cost savings, and compliance risks. Finally, the chapter identifies knowledge gaps in the existing research, highlighting areas that this study aims to address.

A. AUDITABILITY THEORY

In order the GPC to be successful with its overarching goals of promoting efficiency, reducing costs, and streamlining administrative burdens it is important that its use remains auditable. The auditability theory is a good lens to view the findings of this capstone project as it provides a context for the recommendations provided. The DoD must remain zealous in promoting auditability as it is vital to ensure integrity, accountability, and transparency, key attributes required to maintain an effective program. Figure 1 from Rendon and Rendon's 2015 research into the topic argues that to maintain auditability the DoD must ensure that competent personnel, capable processes, and effective internal controls are maintained at a high level. These three categories will be discussed in the following subsections.

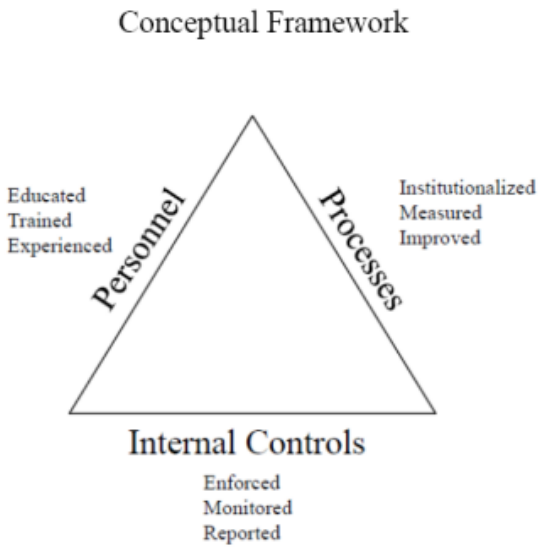

Figure 1. Auditability Triangle. Source: Rendon, J. M. (2017).

The first leg of the Auditability Triangle is competent personnel. As Rendon & Rendon discuss in their 2015 research report, to have competent personnel it requires that the education, training, and experience requirements for all involved are appropriate to the jobs expected of them. The DAWIA provides the guidelines for ensuring that all acquisition personnel maintain their required capabilities through mandatory requirements. If the MPT limit proposed in this research paper is enacted, this leg of the triangle would remain a key component and associated updates to DAWIA would be required to ensure compliance.,

1. Capable Processes

The second leg of the triangle ensures the incorporation of capable processes. For processes to achieve this goal, they must be initialized, measured, and improved. While Rendon and Rendon's paper was focused more on contract management processes a similar situation would exist for GPC purchases. The lack of repeatable processes in GPC purchase has been noted by multiple GAO audits (Larin, 2017) (Calbom, 2002). A further discussion on these weaknesses and recommendations to improve the processes will be reviewed in Chapter VI. However, without strengthening this leg any increases to the MPT limit will become more difficult.

2. Effective Internal Controls

The third, and final leg, of the triangle is effective internal controls. The three elements required to fulfill this requirement are that the controls are monitored, enforced, and reported. Without the first two legs of the triangle, personnel and processes, it becomes impossible to accomplish the third leg. If personnel are not properly trained, and the processes are not institutionalized, by default the internal controls cannot be effective. As an overarching strategy for the proposed MPT limit increase, to be successfully implemented, it is important to understand the auditability triangle and to ensure that all legs are addressed, and any required changes applied.

B. GPC PROGRAM BACKGROUND AND EVOLUTION

Gupta et al.'s (2008) article "A Brief History and Review of Purchasing Card Use by the U.S. Government: 1990–2005" establishes a timeline reflecting the key milestones in the establishment and growth of the GPC program, highlighting its roots in procurement reform and its development into a critical tool for government efficiency and accountability. In the early 1980s Government interest in procurement reform grew significantly due to inefficiencies in traditional contracting methods. There was a push to streamline small purchases that consumed disproportionate administrative resources. In 1982, President Ronald Reagan introduced Executive Order 12352, calling for reduced administrative costs related to procurement throughout the federal government and proposing the implementation of purchase cards to reduce costs for goods and services (Executive Order No. 12352, 1982).

By the late 1980s, initial pilot programs were introduced to test the viability of using purchase cards for low-value transactions. These initiatives aimed to demonstrate the potential for reducing paperwork and improving procurement efficiency. After the pilot program was introduced by the OMB in 1986, reports from the GAO provided results showing increased efficiency of using purchase cards to buy goods and services over traditional procurement methods, indicating negligible instances of abuse or misuse of the cards (Rodrigues, 1996).

FASA was introduced in 1994 formalizing the use of purchase cards for micro-purchases, officially establishing the framework for the GPC program. At its inception, the MPT was set at $2,500, limiting the cards' use to low-value transactions for supplies and services (Federal Acquisition Streamlining Act of 1994). The program expanded with the introduction of the GSA's SmartPay purchase card program. As technology improved and oversight mechanisms became more robust, electronic monitoring systems and stricter compliance controls were introduced to mitigate risks like fraud and misuse (General Services Administration, 2024).

Since the program's inception, the GPC program has evolved to support broader operational needs and other agency-specific requirements. Enhanced oversight and control measures have been put in place, such as the Bob Stump National Defense Authorization Act of 2003, which required the DoD to improve the management of the purchase card program, emphasizing internal controls to prevent misuse and ensure compliance (Bob Stump National Authorization Act, 2003). Additional measures, such as the Purchase Card Waste Elimination Act of 2005, were introduced to promote better management practices, including guidelines for negotiating discounts and sharing best practices, highlighting a push to maximize the program's efficiency while addressing concerns over misuse (Purchasing Card Waste Elimination Act, 2005).

C. POLICY CHANGES LEADING TO CURRENT THRESHOLDS

To have an educated discussion on the MPT limit, it is essential to understand its creation and how the limit has evolved from its initial creation to its current iteration. In 1994, the DoD, GSA, and the National Aeronautics and Space Administration (NASA) reached an agreement to implement the MPT requirements of the FASA and establish a MPT for goods and services of $2,500 (Federal Acquisition Regulation; Micro-Purchase Procedures, 1994). The latest increase was in 2020 which raised the limit to $10,000 (Federal Acquisition Regulations; Increased Micro-Purchase and Simplified Acquisition Thresholds, 2020).

In 2002, the SECDEF directed task force recommendations to improve DoD GPC performance. The actions fell under four primary categories: increased management

emphasis, new directives, improved compliance measures, and revised purchase card actions (U.S. DoD, 2002). The MPT limit was updated again in 2006 to adjust for inflation. In the 2006 ruling in FAR Case 2004–033, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council agreed to update the FAR and change the MPT limit to $3,000 to account for inflation. (FAR Case 2004–033, Inflation Adjustment of Acquisition-Related Thresholds, 2006). However, acquisitions for construction remained at $2,000 subject to the Davis-Bacon Act, and acquisitions for services remained at $2,500 subject to the Service Contract Act.

In 2015, the DoD, GSA, and NASA issued a ruling to update the FAR and increase MPT to $3,500 to adjust for inflation (Federal Acquisition Regulation; Inflation Adjustment of Acquisition-Related Thresholds, 2015). This ruling published by the Federal Register, emphasized that statute 41 U.S.C. 1908 requires

> An adjustment every five years of acquisition-related thresholds for inflation using the CPI for all urban consumers, except for of the Construction Wage Rate Requirements statute (formerly Davis-Bacon Act), Service Contract Labor Standards statute, and trade agreements thresholds (Federal Acquisition Regulation; Inflation Adjustment of Acquisition-Related Thresholds, 2015, 38293)

In 2017, a Class Deviation was issued by the Office of the Under Secretary of Defense to increase the MPT to $5,000 (Office of the Under Secretary of Defense, 2017). This memorandum increased the MPT limit to $5,000 for the acquisition of supplies and services across the DoD. On 01 October 2017, the DoD released a GPC guidebook, which was revised on 24 January 2018, for establishing and managing purchase, travel, and fuel card programs (Office of the Under Secretary of Defense, 2017). The document provided additional GPC information to include processes, appointment letters, purchasing steps, prohibited purchases, and changes when using a GPC for contingency operations or disaster assistance. Of note, the guidance called out a 2000 mandate that required the use of the GPC for at least 90% of all micro-purchases.

In 2018, a Class Deviation was issued by the Office of the Under Secretary of Defense to update the Micro-Purchase Threshold, Simplified Acquisition Threshold, and Special Emergency Procurement Authority. (Office of the Under Secretary of Defense,

2018). The class deviation increased the MPT from $5,000 to $10,000, however it did not apply to MPT exceptions of $2,000 for acquisitions of construction and $2,500 for acquisitions of services. Finally, in 2020, the DoD, GSA, and NASA issued a ruling amending the FAR to increase the MPT to $10,000 and the simplified acquisition threshold (SAT) to $250,000 (Federal Acquisition Regulation; Increased Micro-Purchase and Simplified Acquisition Thresholds, 2020). As with previous rulings, the purpose of this amendment was to reduce the regulatory burdens on contracts.

D. HISTORICAL ANALYSIS OF GAO FINDINGS

GPCs have been subjected to various reviews by the GAO and the Inspector General's office over the years to assess their use, effectiveness, and control measures. Many of these reports focused specifically on those purchases under the MPT limit. In the early 2000s, GAO began issuing reports on individual commands with a focus on the effectiveness of their internal controls. Unfortunately, early feedback did not inspire confidence. A 2001 report on two Navy commands (Fischer, 2001) and a 2002 report on four Air Force commands (Fischer, 2002) found that the three basic internal controls tests, independent documented receipts of acceptance, independent documentation of monthly statements, and proper accounting were widely ineffective. A 2002 GAO testimony acknowledged these potential vulnerabilities inherent in GPC use with the primary areas of concern being inadequate review and approval processes, lack of training, and ineffective monitoring (Calbom, 2002). Despite these concerns, the report stressed that the cost savings and reduced administrative burden of GPC use outweighed the potential risks.

In 2003, the Bob Stump National Defense Authorization Act was passed, requiring the DoD to improve the purchase card program management (Bob Stump National Defense Authorization Act, 2003). A GAO report in 2004 was directed to review the implementation status of this act. (Kutz, 2004a). The report directed the DoD to limit the number of purchase cards, train cardholders and approving officials, monitor the purchase card program, discipline cardholders found to violate regulations, and evaluate the credit worthiness of cardholders. While the report found that the DoD had taken strong action overall to improve GPC controls in accordance with regulations and followed GAOs earlier

recommendations to further strengthen controls, it noted a lack of disciplinary action against cardholders who violated purchasing requirements. Despite this optimism, a 2008 GAO report found that 41% of all GPC purchases, both above and below the MPT limit, failed to meet internal control standards. (Kutz, 2008). The report noted marked improvement from the previous findings and again emphasized that the GPC continued to be an effective tool to reduce transaction costs and improve flexibility. GAO proposed thirteen recommendations to improve internal controls and monitoring to reduce the risk of improper GPC activity.

In 2017, GAO was asked to conduct another government-wide review of GPC activity, this time with a focus on micro-purchases, which at this point was capped at $3,500. (Larin, 2017). The report noted several steps taken by both GSA and OMB to address noted weaknesses from the 2008 report. The actions included updating directives (OMB Circular A-123, 2009), increasing training requirements, introducing new monitoring and management tools, and mandating annual reports to Congress (OMB M-13-21, 2013). The report found a marked improvement with only 22% of all purchases failing to meet internal control standards compared to the 41% highlighted in the 2008 report. Of note however, the report indicated that of those purchases falling under this category, less than 2% were improper purchases (Larin, 2017).

For all the consistent findings by GAO of inadequate controls, all reports continued to stress the steady improvements made by DoD in increasing effectiveness and the benefits of a properly managed GPC system. These improvements were highlighted by a 2004 report that focused on the savings the government could achieve through responsible use (Kutz, 2004b). The article reported that from 1991 to 2004, the amount spent on GPCs increased from $1 billion to $16 billion. While the report acknowledged that ineffective controls were limiting the cards capabilities, GAO believed that with proper control and more focus on leveraging the buying power of the cards to elicit more favorable prices, the various agencies could save over $300 million annually. A 2004 *Contract Management* article echoed the card capabilities and argued that with focused managerial support and government-wide data collection, the saving protentional could be in the hundreds of millions (Kelly & Mackin, 2004). In 2016, Congress requested that GAO revisit this topic

and determine the success of OMB directives and the Government Charge Card Abuse Prevention Act of 2012 (Government Charge Card Abuse Prevention Act, 2012). The report found that from 2010–2015 the government was spending between $17-$19.5 billion a year on purchase cards for an annual saving of $1.7 billion, approximately $70 per transaction. (Mak, 2016). Additionally, the report found that the government had received approximately $3 billion in refunds since the program's inception in 1998. Unfortunately, the report indicated that many of the guidelines from OMB were only recommendations, and without overarching direction from the DoD, some of the components, the Navy in particular, were letting cost-saving opportunities slip away.

E. JOURNAL ARTICLES

While the GAO represents an official government view of GPCs, as taxpayers the public represent an important opinion to consider. To this end, we examined various journal and research articles on the subject. These articles generally approached this issue from two conflicting perspectives. The first group believed that the cost-saving benefits to the government outweighed the potential for fraud. Furthermore, many thought the MPT should be increased to provide additional saving opportunities. The second group acknowledged that the possibility for increased savings existed but believed that the potential for abuse was too great, especially given the governmental inability to effectively implement internal controls.

Gupta and Palmer (2007) looked at the cost savings for the government in 2006, which was estimated at $1.8 billion, and posited that if all agencies increase their GPC spending to 3% of the budget, the savings could increase to over $8 billion a year. While they acknowledged card misuse, they referenced a 2005 survey which found that fraudulent use accounted for approximately $340 per $1 million spent. Based on that information, they argued that it would be nearly impossible to create a scenario where the amount lost to abuse was anywhere close to the amount gained via savings and benefits. In their 2008 paper on the stewardship of public resources, Mills et al. (2008) concurred with Gupta and Palmer's (2007) findings. They noted that, despite the high-profile instances of fraud raised by Senator Grassley in his appearance before the U.S. Congress subcommittee (*The Use*

and Abuse of Government Purchase Cards, 2001), the actual instances of fraud found in a 2003 data-mining project conducted by the Officer of the Inspector General accounted for only 0.12% of all transactions.

A 2016 article from the *Journal of Government Financial Management* acknowledged that although there had been significant improvements by agencies in the management and oversight of purchase cards, recent congressional acts, including Saving Federal Dollars through Better Use of Government Purchase and Travel Card Act of 2015 (Saving Federal Dollars through Better Use of Government Purchase and Travel Card Act, 2015) indicated the government was no longer willing to rely on traditional internal control methods. (Morton-Huddleston et al., 2016). Instead, there was a focus on using analytical techniques to combat possible fraud.

In addition to the analytical techniques, a 2023 article from the *Public Contract Law Journal* recommended improvement to the internal oversight of GPC use as a method to reduce opportunities for fraud to occur (Cardinal, 2023). The author posited that rather than having supervisors review purchases at the end on the billing cycle to require pre-approval prior to each purchase with the option to create a pre-approved list of purchase to reduce the administrative burden. In addition to the increased oversight the author promoted increase training, both in-person and online, and the creation of a "Three Strike" rule as a method for removed purchase cards from those individuals who have multiple GPC violations.

On the other side of the argument, critics are worried that expanded use of the GPC, especially if the MPT is raised, would open the door to abuse while simultaneously cutting out small businesses and other set-aside groups. A 2002 article from the *Federal Times* cited the inability for data collection on these purchases as an additional cause for concern as it reduces the contracting officer's ability to accurately track spending as the costs are often labeled as miscellaneous merchandise (Davidson, 2002). Grassley, not to be deterred by his inability to limit increased GPC spending in 2001, again highlighted the dangers of raising the MPT limit in his 2024 letter to the Secretary of Defense (Grassley, 2024). In the letter, he highlighted that despite a myriad of internal controls enacted to increase DoD oversight since 2001, an Inspector General Audit on GPC use in response to COVID found

these controls to be woefully ineffective (Inspector General, U.S. Department of Defense, 2024b). The report indicated that of the 110,525 purchases made in response to COVID-19, nearly 40% did not support the DoD's response. Grassley posed additional questions to the Secretary of Defense, and from his letter, it was clear that he did not and does not believe the DoD can be trusted with the flexibility an increased MPT would bring.

F. RESEARCH RELATED TO THE TOPIC

Research into the MPT limit, either to raise the threshold, or to review the implementation and control associated with the GPC has been a topic of interest in the past to various students. One of the first was McMahon's 1995 NPS thesis, which looked at the impact of increasing the MTP threshold directed by the Federal Acquisitioning Streamlining Act of 1994. (McMahon, 1995). The research was conducted through written questionnaires submitted to various field contracting activities within the DoD, and it concluded that increasing the MTP to $2,500 had a significant impact on promoting the purchase card as a user-friendly method for transactions. While it noted risks associated with GPC use, McMahon's recommendation was that through standardized DoD-wide training these risks could be minimized.

Koch (2009) conducted a spending analysis of GPC purchases on five Navy destroyers from Norfolk, VA. The research was conducted at the request of the Commander of Naval Surface Forces due to specific concerns regarding vessel spending habits. While most of the research was only tangentially related, it is important to note that Servmart MPT purchases represented over 62% of total expenditures by the vessels. (Kock, 2009). This data would be beneficial for the Navy to be aware of should they decide to introduce an expanded use program like the Air Force (SAF/AQC, 2022). Additionally, the study creates recommendations for increasing GPC unit standardization while allowing relative independence within the units, which is key for maintaining operational efficiency.

The first research we found to recommend a significant increase to the MPT, beyond adjusting for inflation, was a report by Tayor (2014). This report reviewed the risks, regulations, and concerns regarding an increase, with a final recommendation of increasing the limit to between $8,000 and $13,000. While the MPT was increased to $10,000 in 2018,

many of the concerns and recommendations to address further such increases would remain. While several recommendations were put forward, two that would be important to consider are to keep the increase as an option available, not as an across-the-board implementation, and to reexamine the small business set-aside limits to ensure those businesses are not negatively impacted.

Some of the most recent research into this topic was conducted by Hammonds in 2024. This topic looked at the feasibility of increasing the GPC limit to $25,000 (Hammonds, 2024). Similar to the research in 2014, this capstone project looked at the increased fraud risks such a change would entail, as well as how this change could affect small businesses. The study concluded that with increased official training, vice "on the job" training, sailors would better understand GPC compliance and significantly reduce the threat of fraudulent activities. On the small business front, this paper posited that within this sector, the increase could promote growth within commodities as well as provide expanded opportunities to compete for government requirements. Of note an increase to the MPT limit is not purely hypothetical. A November 2024 rule proposal was initiated by the FAR Council recommending an increase to $15,000. This proposed increase is purely an inflation-related increase, but the fact that it is being considered shows that there exists an appetite for an increase in the GPC limits. (Federal Acquisition Regulation: Inflation Adjustment of Acquisition-Related Thresholds, 2024).

G. SUMMARY

This chapter provided an overview of existing literature on the GPC program and micro-purchase thresholds. It reviewed key reports from oversight agencies such as the GAO and Inspector General, as well as academic research on procurement efficiency. The discussion explored both the advantages and potential risks of increasing spending limits, identifying trends and recurring concerns from past studies. Additionally, gaps in the current body of research were noted, reinforcing the need for further analysis. These gaps will be addressed in Chapter VI in the recommendations for further research section. The findings from this literature review will inform the data analysis and recommendations presented in later chapters.

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IV. METHODS AND RESEARCH APPROACH

This chapter outlines the mixed-method research approach to analyzing qualitative and quantitative data. This approach is for examining MPT use trends and to understanded the possible effects, both positive and negative, for implementing a MPT limit increase to $25,000. Specifically, for the quantitative analysis, a detailed examination of data from the SAM.gov data bank, the USAspending.gov data bank, the fpds.gov data bank, and the smartpay.gsa.gov database is critical for understanding the true impact the increase would have on government purchases. These websites provide accessible, measurable data for the number of contracts between $10,000.01 and $25,000, as well as provide overarching information on the use of the GPC over specific FYs. The qualitative information provided from various academic, governmental, and journalistic sources supply some of the contextual factors and concerns that would likely arise from such an increase. By combining both the quantitative and qualitative methods, a more complete understanding of the impact of such a proposed increase is provided.

A. QUANTITATIVE METHOD AND RESEARCH APPROACH

All quantitative data were gathered from the SAM.gov data bank, the USAspending.gov data bank, the fpds.gov data bank, and the smartpay.gsa.gov database. The SAM.gov data bank is a real-time federal contracting activity database fed from the Federal Procurement Data System (FPDS) (General Services Administration, 2023, p. 1). USAspending.gov is a government website that publishes information on federal awards, provided directly by federal agencies. Individuals can search for award data by state, congressional district, country, city, and zip code (Teefy, 2024). The fpds.gov data bank serves as the home for USAspending.gov contracts and contains information on contracts whose estimated value is $10,000 or more (Federal Procurement Data System, 2024). Finally, smartpay.gsa.gov delivers monthly reports that provide statistical summaries of key data points including transaction volume, number of active cardholders, and spending trends (GSA SmartPay, 2024).

The data was primarily pulled from FPDS. The data requested was specifically selected to properly define the scope and ensure a comprehensive analysis. Targeted information was achieved by applying filters based on award and department type, focusing on the DoD and purchase order awards. The data was further filtered by FY and obligation amount ($10,000.01-$25,000). The data was filtered to specifically remove all IDV purchases to ensure we removed the complexities involved in creating those contracts as well as ensuring multiple awards wouldn't trip the upper limit of the proposed MPT increase. Although it is likely that an increased MPT would negate the need for some of the IDVs in place it is difficult to account for that number with any accuracy. In addition to the administrative savings that shifting from contracts to GPC purchases would provide, another key consideration is the rebates that would occur. Similar to the rebates provide by personnel credit cards the government would benefit from rebates on GPCs. While the exact rebate process for the GPC is contract dependent, for the purpose of this paper the average credit card rebate amount of 1.3%, as determined in Table 2, was used to provide a baseline.

B. QUALITATIVE METHOD AND RESEARCH APPROACH

To understand this topic from the qualitative viewpoint insights, historical GAO analyses were studied to provide a more robust understanding of the transition of procedure and polices related to the MPT and their evolution over time. The writings of industry-leading specialists were reviewed and provided additional information and perspectives on both policy shifts and analysis of potential MPT increases. Finally, works by previous graduate students were looked at to provide an understanding of similar proposals and research topics in the past which enabled a more focused topic for our research.

This report used content analysis to better understand the complexities surrounding the MPT as well as the implications any increase has had in the past and how it might be projected on future increases. This study methodically examined GAO reports, IG reports industry-leading articles, and past research to identify key words, phrases, and concepts related to the GPC and the MPT. This approach allowed a relationship to be drawn between

initially unrelated topics and provided a more comprehensive understanding of the MPT limit and the impact an increase would have.

C. METHODOLOGY SUMMARY

The mixed-method research approach used in this report integrated quantitative and qualitative findings which are necessary for a complete analysis of GPC use at the MPT level and the effect a proposed increase to $25,000 could have on the process. The qualitive component of the research was complemented by the annual analysis, embedded in data from the FPDS database, which offered a more macro-level view. The reasoning behind this consolidative approach is that it allows the statistical grounding provided by the quantitative data to be supplemented by narrative depth from the qualitative insights. Together this approach enables a more complete and thorough understanding of the GPC in relationship to the MPT.

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V. ANALYSIS AND FINDINGS

This chapter examines the geography of DoD MPT purchases, combined with purchase orders falling within the proposed increased MPT limit, through a quantitative review of recent fiscal years and the qualitative implication such an increase has had in the past and how that related to future increases. Using the mixed-method research approach described in the previous chapter, this analysis reviews that data derived from multiple federal databases, capturing the increased use of the GPC for MPT purchases over time, as well as purchase orders that could fall under the MPT umbrella should such an increase be implemented. This data is contextualized through the qualitative lens provided by various academic and governmental writing.

A. QUANTITATIVE ANALYSIS AND FINDINGS

The quantitative aspect of this study reviews the MPT purchases since 2020 to include those purchase orders that have been executed at a price point above the MPT limit of $10,000 but below the proposed increase of $25,000. This data provides a foundation to understanding the GPC system and the impact on savings, of both time and money, that the increase to the MPT limit could affect.

1. DoD MPT Purchases and Rebates from 2020–2024

As illustrated in Figure 2, the data analysis from GSA indicates that the DoD currently spends between $4.6-$5.1 billion on the GPC annually for amounts below the MPT limit. Although the total amount is dwarfed by the average annual DoD spending of $768 billion, the number of yearly transactions, on average 3.2 million, that occur within the MPT limit remains high. Throughout the federal government the amount of money spent on the GPC has risen year over year with the highest total of $39 billion occurring in FY24.

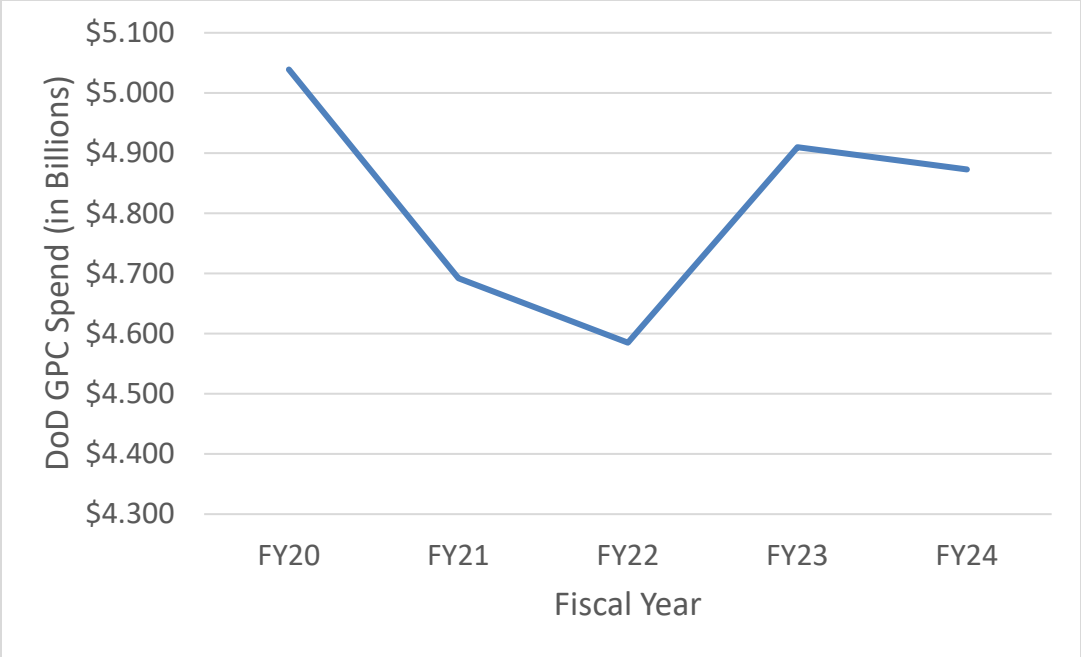

Figure 2. DoD GSA SmartPay Program Spend. Adapted from General Services Administration (2024a)

An additional consideration to understand when working with the GPC totals and possible savings is the associated refunds. Figure 3 shows the net refunds for the GSA SmartPay from 1996–2023.

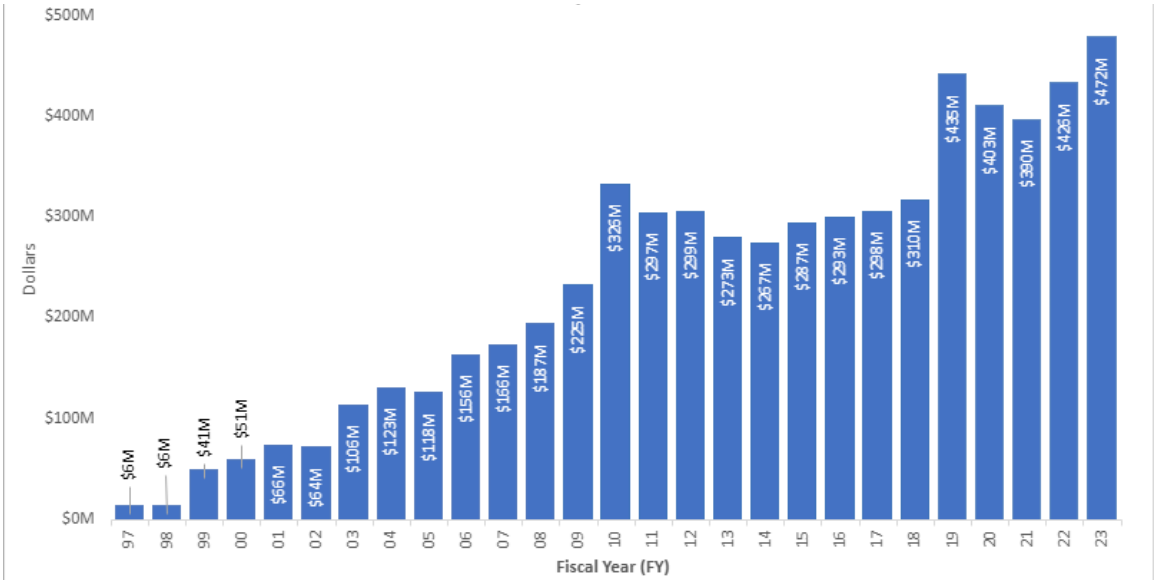

Figure 3. GSA SmartPay Net Refunds. Source: General Services Administration (2024b).

Although the refund amount varies from contract to contract using the total net refunds amount combined with the total federal GPC spending year over year, as seen in Table 2, enables the user to determine that the average rebate amount is 1.3%.

Table 2. Average GPC Refund Amount as a Percentage of Total Spending. Adapted from General Services Administration (2024b).

Fiscal Year	Total GPC Federal Spending	Total Refund	Refund %
FY20	$28,654,811,179	$403,000,000	1.4%
FY21	$29,145,843,385	$390,000,000	1.3%
FY22	$32,762,706,898	$426,000,000	1.3%
FY23	$37,546,436,273	$472,000,000	1.3%

2. DoD Purchase Orders Between $10,000.01-$25,000 for FY20 – FY24

The next step in the analysis was to determine which existing DoD contracts would fall under the proposed MPT increase to $25,000. For this to occur, data was drawn from fpds.gov using filters to ensure only DoD contracts falling within the increased MPT range were pulled. The initial query provided over 200,000 responses, however further discussion

determined that while it was likely that some existing IDV contracts would be convertible to MPT purchases it was impossible to determine that number with accuracy. While likely a conservative number, an additional filter was added to pull only purchase orders. Once in place, the data pull, shown in Table 3, determined that an average of 49,000 contracts totaling slightly less than $800 million a year fell into this category. Figure 4 displays the data graphically, and aside from an initial dip in FY21, it shows year-to-year growth.

Table 3. DoD Purchase Orders Between $10,000.01 and $25,000 for FY20-FY24. Adapted from Federal Procurement Database (2025).

Fiscal Year	# of Transaction	$ Spent	% Increase ($)
FY20	49,057	$811,781,114	----------
FY21	47,301	$767,131,469	-5.82%
FY22	48,105	$778,919,323	1.53%
FY23	48,459	$788,079,820	1.17%
FY24	51,788	$841,510,290	6.78%

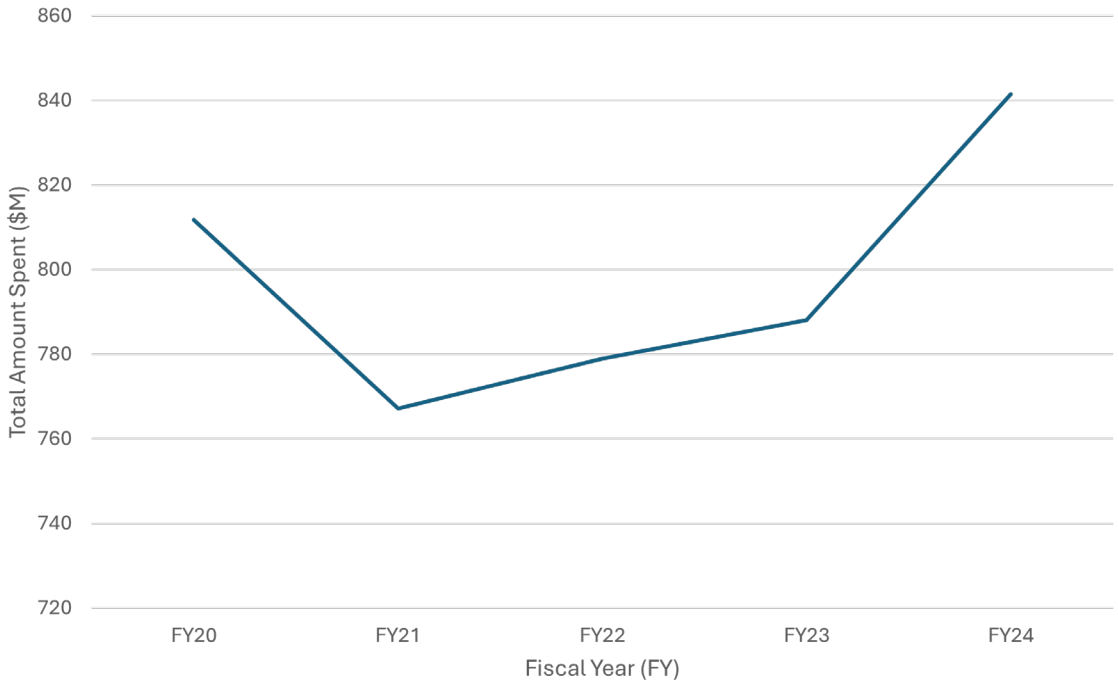

Figure 4. Graph of DoD Purchase Orders Between $10,000.01 and $25,000 for FY20-FY24. Adapted from Adapted from Federal Procurement Database (2025).

3. Potential Savings an MPT Increase Could Allow

The final step in the analytic process is to understand what savings could be realized should the 49,000 existing purchase orders be converted to GPC purchases under the increased MPT limit of $25,000. There are three main ways that such an increase could provide savings to the government. The first is the flat $70 per transaction in administrative costs that GSA indicates each purchase would save (Mak, 2016). Table 4 shows the estimated savings an MPT increase would have from FY20-FY24.

Table 4. $70 Savings Per Transaction Reflected for Proposed MPT Increase. Adapted from Federal Procurement Database (2025).

MPT Increase (Over $10k – Under $25k)	# of New MPT Transactions	Estimated Savings at $70 per Transaction
FY20	49,057	$3,433,990
FY21	47,301	$3,311,070
FY22	48,105	$3,367,350
FY23	48,459	$3,392,130
FY24	51,788	$3,625,160

The next potential savings avenue can be traced to the reduction in manpower hours required to finalize a contract and those required to finalize a GPC purchase. This reduction then leads to a reduction in the cost required to fund the hours. To provide value for this we used the work of Beutel et al., who made the following assumptions on both pay grade and hours required. A contract would require a GS-14 to execute while an MPT order would require a GS-9 to carry it out. For time required, Beutel et al., determined in 2016 that a standalone contract took between 405 to 495 hours while a task order was in the range of 119 to 168 hours. Subsequently, since an individual contract below the SAT is one of the quickest to award, it was estimated that it could be completed in 10% of the time a task order takes, or 15 hours. Finally, it is possible to decrease that time even further since the standalone purchase orders would now occur under the MPT process. It can be assumed that the time required in this scenario could be reduced to five hours (Beutel et al., 2024). Table 5 shows the potential savings that this reduction in paygrade and time required would allow using the January 2025 GS pay scale (Office of Personnel and Management [OPM], 2025)

Table 5. Labor Cost Savings Transitions from SAT to MPT Actions. Adapted from Federal Procurement Database (2025).

MPT Increase (Over $10k – Under $25k)	# of New MPT Transactions	Prior Cost of Labor Under SAT (15hrs @ 50.97)	New Cost of Labor under MPT (5hrs @ 25.01)	Potential Savings
FY20	49,057	$37,506,529	$6,134,577	$31,371,952
FY21	47,301	$36,163,979	$5,914,990	$30,248,989
FY22	48,105	$36,778,677	$6,015,530	$30,763,147
FY23	48,459	$37,049,328	$6,059,797	$30,989,531
FY24	51,788	$39,594,515	$6,476,809	$33,117,706

The final saving opportunity that the MPT increase would create is additional funds, and subsequently increased buying power, that would be provided through the credit card rebate program. While it is impossible to determine with 100% accuracy what the DoD's rebate would be as the amount varies based on the specific purchase. However, as Table 2 displayed, on average the federal government received 1.3% a year. To provide a wholistic view on potential savings this percentage was used for the quantitative analysis. Table 6 shows the possible savings from FY20-FY24 with a 1.3% rebate.

Table 6. DoD Rebates FY20-FY24 Assuming a 1.3% Return. Adapted from General Services Administration (2024b).

Fiscal Year	$ Spent	1.3% Rebate
FY20	$811,781,114	$10,553,154
FY21	$767,131,469	$9,972,709
FY22	$778,919,323	$10,125,951
FY23	$788,079,820	$10,245,038
FY24	$841,510,290	$10,939,634

The final step in the quantitative analysis was to combine all the savings onto a single document to allow for a wholistic understanding of the overall impact the increase to $25,000 could have, conservatively, for the DoD. Table 7 shows the total savings for FY20-FY24.

Table 7. Total Potential DoD Savings for an MPT Increase for $25,000. Adapted from Federal Procurement Database (2025) and General Services Administration (2024b).

Fiscal Year	Total Potential Savings (Manpower + 1.3% Rebate + $70 per Transaction)
FY20	$45,359,096
FY21	$43,532,768
FY22	$44,256,448
FY23	$44,626,699

B. QUALITATIVE ANALYSIS AND FINDINGS

The qualitative analysis probes deeper into some of the implications that were realized during previous MPT increases. Additionally, the analysis reviews some of the concerns raised by both government and civilian organizations that any increase could have on the current process.

1. Increased Opportunities for Fraud, Waste, and Abuse

One of the most common arguments against a revised MPT limit is the inherent increased risk of fraud, waste, and abuse that such a limit increase could potentially have. As Senator Grassley stated in his 30 July 2001 hearing to Congress, "I conducted my own review of internal controls at the Department of Defense…I came away from the experience convinced that there were no effective internal controls in place. Stealing money was a piece of cake" (*The Use and Abuse of Government Purchase Cards, 2001)*. This viewpoint is not an uncommon one, especially as the abuse brought to light by this hearing were both egregious and sensational. However, as VADM Lippert pointed out later in the hearing, "Since the inception of the purchase card contract with CitiBank in November 1998, the Department of the Navy has made over 7 million credit card transactions. It is interesting to note that the commercial benchmark for vendor fraud is 0.06 percent to 0.09 percent of the total dollar value spent. The Department of the Navy's rate is less than half of the commercial benchmark."

As Gupta and Palmer pointed out in their 2007 paper, a preliminary data-mining of DoD purchase card spending supported this statement while finding insignificant levels of even potential misuse. They cited a RPMG Research Corporation survey that found fraudulent use accounted for .034 percent of purchase card spending, or $340 per $1 million spent. While the initial DoD findings were below even this small percentage, this number provides a baseline to allow further calculations. In FY20 for example, $811,781,114 dollars would have been placed on GPCs accounting for a potential increase of $275,740 in fraud while simultaneously saving the government over $45 million.

2. Internal Controls

Internal controls have been recognized as the most effective way to reduce the perceived risk that any increase in the MPT limit may have. This has been true throughout the history of the GPC and will remain true if the proposed increase to $25,000 were to be implemented. The federal government, and the DoD in particular, have recognized the validity of this statement and applied multiple steps to improve this process. There have been numerous GAO reports since 2002 that have reviewed the GPC process and highlighted areas for improvement. While each of the reports found aspects that could be overall improved, each of the subsequent reports noted significant improvements have been made since the last report.

Figure 5 from GAO-17-276 report shows the various internal controls which had been put in place since 2008. The main takeaway from this GAO report was that the internal controls put in place were effective. It can be expected that increasing the MPT limit will highlight the importance of adherence to the internal processes. This report should give the taxpayer confidence that while improper use of GPCs occurs, the frequency and impact of that abuse is minimal.

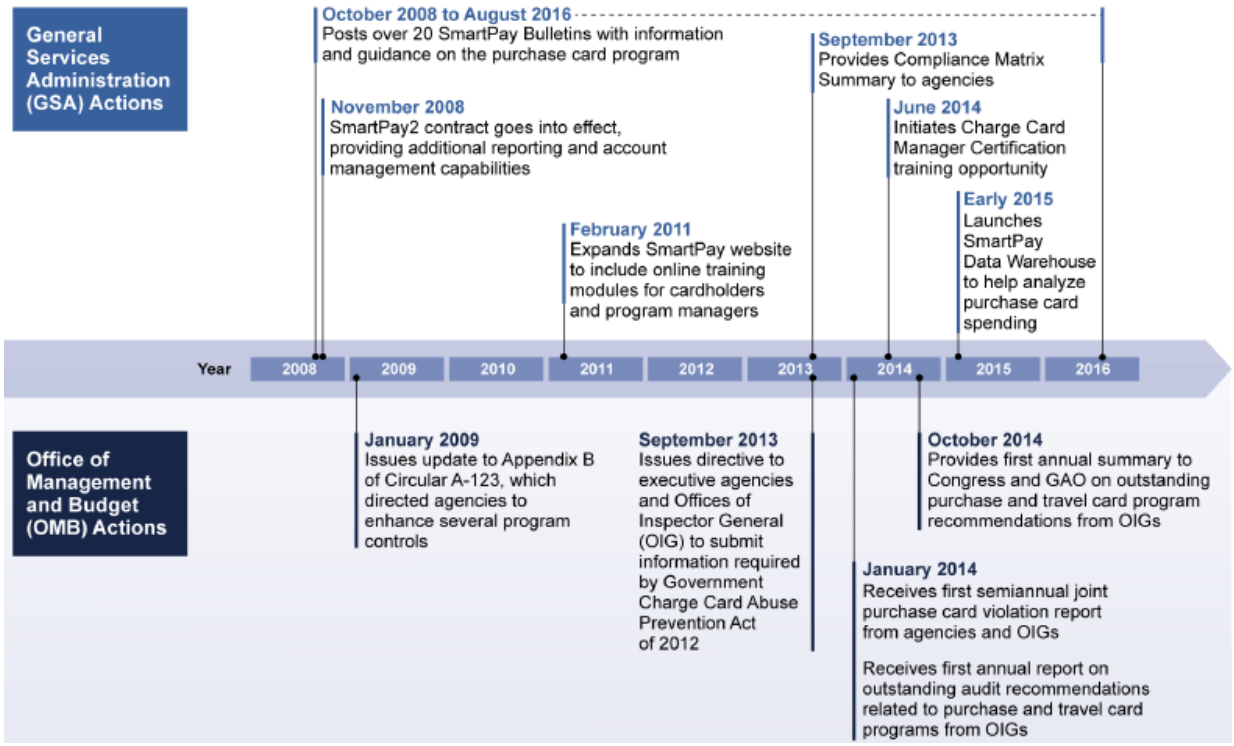

Figure 5. GSA and OB Actions to Enhance Program Controls over Micro-purchases. Source: GAO-17-276 Government Purchase Cards

The rise of Artificial Intelligence (AI) and data-mining capabilities can only serve to enhance the effectiveness of internal control as Morton-Huddleston et. al., noted in their 2016 journal article "Rolling the Dice with that Government Card? Not So Fast." By employing both exploratory and advanced analytics the government could not only determine the possibility of GPC misuse after the purchase has occurred but would allow the creation of models capable of predicting future misuse through suspicion scoring. While the DoD does not currently use this method to assist with fraud detection, the increasing capabilities can provide significant benefits for the government and should improve public confidence in responsible use of the GPC.

At the end of the day the most important aspect for effective internal control is leadership support. Without top-level support the tools available to address potential misuse become secondary as there is no drive to enforce them. However, given the high visibility of ensuring government transparency this does not seem like an area of significant

concern. There have been a number of laws passed recently that provide the top-cover required and can be used as the launching point for increasing analytical support. In 2019 a working group was established to, "improve the sharing and development of data analytics techniques to help prevent and identify potential improper payments. (Payment Integrity Information Act of 2019, §3358, (a)(1)(iii))." This law led to the creation of the Chief Financial Officers (CFO) Council Symposium series which is a whole-of-government forum with three overarching goals, to sharpen the focus on reducing fraud, increase awareness of effective tools, and foster collaboration between financial management and oversight communities. (CFO Council, 2025)

C. ANALYSIS AND FINDINGS SUMMARY

The analysis of DoD purchases between $10,000.01 to $25,000 for FY2020 to FY2023, combined with the qualitative review of the relevant writings on the subject of the MPT, indicates both the potential support for a limit increase as well as provides a qualitative understanding of the financial benefits such as increase would create. Despite limiting the review of contracts to only non-IDV instances, reducing the data set from over 200,000 to approximately 50,000, the savings of nearly $50 million a year cannot be ignored. With the implementation of the MPT increase and a more detailed analysis of the IDVs it could be expected for the saving to increase significantly as some of the IDVs could now fall under GPC purchases. Additionally, the reduction in hours required to compete and finalize a contract, when compared to the time required to make a GPC purchase, as a results of streamlining some of the bureaucratic red tape will allow the expedited purchase and delivery of high priority items. This decreased timeline will be extremely beneficial for operational units and should lead to increased readiness and vessel availability for the fleet.

Although the research revealed several oppositional voices raising concerns regarding the potential of fraud, waste, and abuse a MPT limit increase could cause, the government-wide focus on improving both internal controls and their requirements should assist in allaying those fears. The rise of AI and the capabilities that it can bring to fraud detection should be a key effort of OMB and future fraud prevention activities. Finally,

while the research and writing indicate that completely eliminating fraud is likely too lofty a goal, the small percentage of fraud that may exist should not derail the savings the MPT limit increase can provide.

Overall, the findings from the research conducted in support of this topic agreed with many of the opinions expressed by the various authors discussed in Chapter II. While many of the writings discussed the potential for increasing governmental savings by shifting additional purchases to the GPC, even using the most restrictive of parameters when determining those contracts which could be shifted, the research indicated that the amount of money saved would be significant. While financial savings are part of the equation, reducing bureaucracy is another key benefit of shifting to GPC purchases. Both anecdotally, and through first-hand experience we can attest to significant delays caused by having to route "routine" purchases over the MPT limit through the contracting process. On the other hand, the amount of red tape involved in credit card purchases is minimal. Although efficiency for its own sake, without the corresponding safeguards in place to ensure proper use would not be recommended. However, the findings indicate that the associated risk with an increased MPT is minimal and that the risk could be reduced even further by ensuring that future GPC use aligns with the auditability triangle.

VI. CONCLUSION AND RECOMMENDATIONS

The preceding chapters have laid the groundwork for this research, beginning with the background information on the history of the GPC to provide readers with the required knowledge to understand this study. The following chapter provided a literature review delving into prior graduate student research, peer reviewed journals, and government reports on the potential benefits and consequences of increasing the MPT limit on GPCs. The quantitative data analysis section discussed the findings related to the potential monetary benefits of increasing the MPT limit to $25,000, focusing on historical data between FY2020 and FY2023. The findings were drawn from data across all spectrums to include fpds.gov, SAM.gov, USAspending.gov and GSA SmartPay statistics portal. The data was utilized to assist in identifying how many purchase orders between $10,000.01 and $25,000 occurred annually, the frequency the GPC was used under current threshold, and how potential rebates and savings may be realized if the MPT was increased. The qualitative data analysis section focuses on potential increases in misappropriation that may occur with this increase, and internal controls in place that could counter this threat. This chapter aims to combine the data provided through this report, answering the research questions provided in Chapter I. It concludes with the impacts of these finding for the Navy, and the DoD as a whole, and outlines recommendations for areas requiring further research.

A. RESPONSE TO RESEARCH QUESTIONS

The primary intention of this research was to determine whether implementing the MPT limit increase can improve operational efficiency within the DoD while simultaneously maintaining adequate oversight and risk mitigations. Key research questions were explored to analyze how inflation and increasing operational demands can erode the efficiency of the current $10,000 threshold. To understand the benefits this research delved into quantifying cost and manpower savings if consistent and routine procurements between $10,000.01 and $25,000 could be completed with the GPC rather than current purchase methods, along with identifying associated risks, specifically fraud,

waste, and abuse that the increased threshold could cause. This section summarizes the responses to the research questions posed at the start of this capstone project. The conclusions drawn are rooted in the data analysis conducted to evaluate potential savings between FY2020 to FY2023.

1. How Can Increasing GPC Spending Limits Improve Operational Efficiency in the DoD While Ensuring Accountability?

One of the biggest complaints from the operational fleet is the additional bureaucracy, and subsequent time sink, that can be associated with attempting to get a high priority items if the cost is greater than the current MPT limit of $10,000. A prime example of this would be a ship getting diverted to a port at short notice and having to procure vehicles for the crew. In these situations, especially in small areas such as Guam, there is usually only one to two companies that could support the request, and the general cost is known to all parties as this is a standard purchase. However, since the cost to rent the vehicles will be above the MPT limit rather than the Supply Officer being able to rapidly make the purchase via the GPC several contracting officers will have to jump through hoops to complete the required paperwork to come up with the same solution. By increasing the limit this situation, and similar instances, the work would be able to be completed quickly to provide the warfighter with a viable solution.

While the increased limit would provide an opportunity for more expensive instances for misuse of the GPC the research provided in this capstone project has shown that such occurrences are miniscule when compared to the overall increase in efficiency and savings. That being said, every attempt should be made to minimize the number of abuses as much as feasible. To support this goal, ensuring that all internal controls are adhered to while providing leadership support will go a long way to accomplishing this. There is little evidence that raising the limit from $10,000 to $25,000 will cause a corresponding increase in fraud. However, with the rise of AI and the counter-fraud capabilities that it can provide should be embraced by OMB and the CFO Council as another tool in the tool belt to assist in this task.

2. What Are the Potential Benefits of Increasing the MPT Limit to $25,000?

Aside from the operational efficiency benefits discussed above the increase in the MPT limit would provide the government with a savings in both time and money. On the financial front each transaction occurring via MPT saves the government $70 in administrative costs (Mak, 2016). Additionally, although slightly more difficult to account for as the exact rebate amount varies from purchase to purchase using the average rebate of 1.3% that occurred from FY2020 to FY 2023 nominally would provide the government with at least $10 million in additionally purchasing power year of year. Shifting from the need for contracts to MPT has been estimated to reduce the time required from 15 hours to 5 hours and would require a GS-9 to complete vice a GS-14. Finally, with the purchases now being shifted to a GPC, ship's company could complete these purchases eliminating the need for multiple back-and-forth conversations that would have to occur with a shore-side contracting officer in what could potentially be communication limited environments.

3. What Oversight Mechanisms, Such As Data Analytics, Can Help Maintain Accountability in a High-Limit GPC System?

One of the largest leaps in data analytics has been the rise of AI and the additional capabilities in bring to the table in its ability to review massive amounts of similar data without losing focus and at a speed that would have been unthinkable only years before. Although the DoD is not currently using AI to combat fraud, it is a tool that the federal government is comfortable using, and one that has paid off. In 2024 alone the Treasury Department was able to prevent and recoup more than $4 billion in fraudulent activities (Egan, 2024, para. 5). AI should become one of the primary oversight mechanisms directed by OMB for use to help combat fraud. The success that it has had for the federal government, and its wide-spread use in the civilian sector should help provide the taxpayer with confidence that their money is being well spent.

As mentioned previously in this research, all tools are only as effective if their use is enforced and supported by leadership. To this end continued involvement at all levels of leadership must be maintained to provide the accountability required. The use of AI does not negate human involvement in the process.

4. What Risks Are Associated with Higher GPC Limits, and How Can These Risks Be Mitigated?

Overall, we did not find anything in our research that indicated the increased limit would lead to a corresponding increase in fraudulent activities. However, the fraudulent activities that occur would by default have the potential to involve larger monetary amounts. With robust internal control, and consistent training for GPC holders these risks should remain negligible.

An associated risk with the increased limit that this research did not address, but one that we would recommend additional studies investigate, is what effect would this increased limit have on small business set asides. As Table 8 below shows currently contracts from $10,000 to $250,000 are automatically set aside for small businesses. If the GPC increased to $25,000, we would expect the contract value for automatic set asides to increase by the same amount. Further research would need to be conducted to determine the number and monetary value of those small business contracts between $10,000 to $25,000 and what that impact would have on small businesses. Of note currently only contracts above $25,000 are listed on SAM.gov so this impact may be minimal.

Table 8. Small Business Set-Aside. Source: sba.gov

Contract value	Small business set-aside requirement
$10,00 to $250,000	Automatically and exclusively set aside for small businesses
$250,000 or more	Set aside if there are two or more small businesses that could do the work. (You must first consider 8(a), HUBZone, SDVO, and WOSB set-asides.)
$750,000 or more (non-construction contracts)	If not set aside for small business, must have a subcontracting plan if awarded to a non-small business
$1.5 million or more (construction contracts)	If not set aside for small business, must have a subcontracting plan if awarded to a non-small business

A final consideration on the increased risk would be to undertake a middle ground like what the USAF has completed with their instruction AFI 64–117. Instead of providing a blanket increase to $25,000 this document allows authorized card holders, who have undertaken additional training, to use the GPT to make purchases up to $25,000 provided

they are spent against a standing contract (SAF/AQC, 2022). Although this strategy would not provide the full benefits that were discussed in Chapter V this would still enable the DoD to save time and money while bounding the use of the GPC within prescribed limits.

B. CONCLUSION

Throughout this research, the data has shown that raising the MPT can increase procurement efficiency by streamlining the administrative process, by decreasing the bureaucratic overhead involved with contract actions. Similarly, by shifting from contracts to GPC transactions the DoD can save an estimated $70 per transaction, receive approximately 1.3% in rebates, and reduce the overhead in required labor costs. Units with a high operational tempo can benefit from an increase in the MPT limit by allowing further flexibility when needed goods and services are required quickly. This can streamline the process when a unit is operating in a remote location where it is difficult to procure items and delays can disrupt a mission.

To safeguard the taxpayer's money from fraud and abuse internal controls and consistent oversight is required to mitigate those risks associated with an MPT increase. The auditability triangle discussed earlier in Chapter III provides the framework for the three angles of support that must be maintained to ensure safeguards remain in place to allow for effective use of GPC, even with the higher limits. While the potential for transaction to be of higher value should not inherently cause an increase in fraudulent activities, the financial consequences of that activities may be amplified. The public should be reassured by GAO and IG audits that have determine that fraud rates under the GPC program are insignificant when internal controls are implemented effectively. To support these requirements continuous training for GPC card holders is required, approving officials will require robust guidance, policies should be standardized across the DoD, and both new and existing internal control must be adhered to in order to ensure the three legs of the auditability triangle are maintained and fraudulent activities are minimized.

C. RECOMMENDATIONS

The below are recommendations for future research based on analyzing past FY2020 to FY2023 contracts between $10,000 to $25,000 and considering governmental and private sectors writings on the MPT. This data provided an overarching view on both the potential savings such an increase could provide and some of the concerns and opportunities that would accompany it.

1. How Would the Proposed Increase Affect Small Business Set Asides?

Currently the U.S. Small Business Administration has established all contracts between $10,000 and $250,000 are automatically and exclusively set aside for small businesses. If the MPT limit was increased to $25,000 the set-aside range would likely be increased to $25,000 as well. Although it was beyond the scope of this capstone project an area of future research would be to account for the average number of contracts that occur on a yearly basis between $10,000 and $25,000 to understand the impact that this MPT limit increase would have on small businesses. If it was determined that this increase would have a significant and negative impact, it would be worth exploring additional avenues to return some of the custom to the small businesses.

2. How Would the Proposed Increase Impact IDVs?

Another area for follow-on research involves digging into current IDVs and determining how the increase in the MPT limit would impact their use and what savings, if any, could be realized provided some of them could be converted to MPT purchases. For the purposes of this capstone project, we erred on the conservative side and blanket removed all IDVs from our data pool, but we believe that many of them could be shifted with some additional work.

3. How Has the Air Force's Revised GPC Instruction Affected MPT Purchases and Would a Similar Strategy Be Worth the DoD Adopting?

If it is decided that the overarching increase to $25,000 for the MPT limit is unpalatable for any number of reasons, creating a compromised solution like that of the

Air Force's could be worth pursuing. As this strategy is fairly new there has not been any detailed research into the true benefits of the program. While the prominent opinion on the program was positive there was no hard data to support it. Future studies should explore the effect this program has had with in the Air Force, both positively and negatively, as well as a recommendation on whether to adopt. This would provide the decision-makers with the viability of it as an alternate solution.

4. Why Has the Limit for Acquisition of Services and the Limit for Construction Remained So Low?

While beyond the scope of this capstone project it would be interesting to examine why the limit for the acquisition of services and construction has remained unchanged since their establishment in 1965 and 1931 respectively. Given the increased savings that are realized shifting from contracts to GPC purchase it is reasonable to assume that a corresponding savings would occur if the limit on construction and services was increased. Future studies could discuss the pros and cons of increasing these limits and provide recommends.

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