

U.S. Department of Labor

Office of Inspector General—Office of Audit

**REPORT TO THE OFFICE OF
THE ASSISTANT SECRETARY
FOR ADMINISTRATION AND
MANAGEMENT**



OASAM NEEDS TO STRENGTHEN CONTROLS OVER THE PURCHASE CARD PROGRAM

Date Issued: September 29, 2015
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BRIEFLY...

OASAM NEEDS TO STRENGTHEN CONTROLS OVER THE PURCHASE CARD PROGRAM

WHY OIG CONDUCTED THE AUDIT

The *Government Charge Card Abuse Prevention Act of 2012* requires Inspectors General to conduct periodic assessments of purchase card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments. Since purchase cards allow cardholders to order, pay for, and receive goods and services, the Office of the Assistant Secretary for Administration and Management's (OASAM) proper design, implementation, and monitoring of controls over the Department of Labor's (DOL) purchase card program are crucial to detecting and preventing fraudulent or improper purchases.

WHAT OIG DID

We conducted this performance audit to determine the following:

Did OASAM establish and implement adequate controls over DOL's purchase card program to reduce the risk of illegal, improper, and/or erroneous purchases?

The audit covered 932 open purchase cards that were used for 57,191 transactions totaling \$19,353,100 during Fiscal Year (FY) 2013 and the first quarter of FY 2014.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/public/reports/oa/2015/17-15-003-07-001.pdf>.

WHAT OIG FOUND

OASAM has established adequate controls over DOL's purchase card program to reduce the risk of illegal, improper, and/or erroneous purchases. However, the controls established were not implemented consistently. We identified issues with both individual transactions and the management of purchase card program participants. Based on our sample results, we estimated about 2,896 purchases had no supporting documentation and about 8,491 purchases lacked one or more required documents to support the transactions. We did not identify the purchase of any inappropriate or unauthorized goods or services.

Our review of 932 purchase cardholders found 3 cardholders exceeded their approved monthly limit by more than \$10,000, 4 cardholders exceeded their approved monthly limit more than once, and 8 cardholders appeared to split purchases to circumvent the micro-purchase limits. Finally, our review of 136 statistically sampled purchase card program participants found 6 had not received any training and 92 had not completed initial training before becoming cardholders.

OASAM has delegated an extensive part of the purchase card process to DOL component agencies, and it needs to improve its monitoring to ensure the component agencies are effectively implementing established controls over purchase card activity. Until then, DOL is vulnerable to unauthorized purchases.

WHAT OIG RECOMMENDED

We made nine recommendations to the Assistant Secretary for Administration and Management to strengthen the controls over the purchase card program.

OASAM officials concurred with our recommendations.

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U.S. Department of Labor

Office of Inspector General
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September 29, 2015

INSPECTOR GENERAL'S REPORT

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The *Government Charge Card Abuse Prevention Act of 2012* requires Inspectors General to conduct periodic assessments of purchase card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments. Since purchase cards allow cardholders to order, pay for, and receive goods and services, the Office of the Assistant Secretary for Administration and Management's (OASAM) proper design, implementation, and monitoring of controls over the Department of Labor's (DOL) purchase card program are crucial to detecting and preventing fraudulent or improper purchases. Our objective was to determine the following:

Did OASAM establish and implement adequate controls over DOL's purchase card program to reduce the risk of illegal, improper, and/or erroneous purchases?

RESULTS IN BRIEF

OASAM has established adequate controls over DOL's purchase card program to reduce the risk of illegal, improper, and/or erroneous purchases. However, DOL agencies did not implement these controls consistently. We identified issues with both individual transactions and the management of program participants. Based on our sample results, we estimated about 2,896 purchases had no supporting documentation and about 8,491 purchases lacked one or more required documents to support the transactions. We did not identify the purchase of any inappropriate or unauthorized goods or services.

Our review of 932 purchase cardholders found 3 cardholders exceeded their monthly approved purchasing limit by more than \$10,000, 4 cardholders exceeded their monthly approved limit more than once, and 8 cardholders appeared to split purchases to circumvent the micro-purchase limits. Finally, our review of 136 statistically sampled purchase card program participants found 6 had not received any training and 92 had not completed initial training.

OASAM has delegated an extensive part of the purchase card process to DOL component agencies, and it needs to improve its monitoring to ensure the component agencies are effectively implementing established controls over purchase card activity. Until then, DOL is vulnerable to unauthorized purchases.

BACKGROUND

The purchase card program was created as a way for agencies to streamline federal procurement processes through a low-cost, efficient means of attaining goods and services directly from merchants. Typically, purchase cards are used for transactions of \$3,000 or less — the micro-purchase threshold. For DOL, OASAM manages the purchase card program and is responsible for providing oversight, controls, and technical assistance. However, DOL component agencies are responsible for implementing the controls.

DOL component agencies designate an Agency/Organization Program Coordinator (A/OPC) to manage their purchase cards. Some of the duties assigned to A/OPCs include maintaining records to show cardholders have completed required training, reviewing purchase card activity to identify and close or suspend inactive accounts, and establishing controls to ensure cardholders and approving officials (AO) timely submit reconciled bank memo statements and the appropriate supporting documentation for purchase card transactions. AOs and alternate AOs (who serve as backups) are designated by each DOL component agency. These individuals, who must be at an administrative level above the cardholder, review and approve purchase cardholder activity.

RESULTS

OASAM has established adequate controls over DOL's purchase card program to reduce the risk of illegal, improper, and/or erroneous purchases. However, we found DOL agencies had not consistently implemented the controls over purchase card transactions or the management of program participants. OASAM has delegated an extensive part of the purchase card process to DOL component agencies, and it needs to improve its monitoring to ensure the component agencies are effectively implementing established controls over purchase card activity. Until then, DOL is vulnerable to unauthorized purchases.

CONTROLS OVER PURCHASE CARD TRANSACTIONS WERE NOT CONSISTENTLY IMPLEMENTED

Purchase card transactions are governed by policies and procedures contained in the DOL Purchase Card Handbook (Handbook). During our testing, we did not identify the purchase of any inappropriate or unauthorized goods or services. However, we identified transactions that had inadequate or no supporting documentation, transactions that should not have included taxes, and a transaction that should have been made from a mandatory source.

PURCHASE CARD TRANSACTIONS HAD INADEQUATE OR MISSING SUPPORTING DOCUMENTATION

We reviewed a statistical sample of 82 purchase card transactions (valued at \$36,418) from 43,542 transactions, and found 4 transactions (5 percent), totaling \$740, had no supporting documentation. Projected to the 43,542¹ transactions, we estimate there were between 566 and 5,225 transactions that did not have supporting documentation. In addition, we found 15 transactions (18 percent), totaling \$11,196, had inadequate supporting documentation. Projected to the 43,542 transactions, we estimate there were between 4,615 and 12,366 transactions that did not have adequate supporting documentation (see Exhibit 1 – Statistical Results for Projections).

The 15 transactions had inadequate supporting documentation as follows:

- 10 were missing purchase logs² and acquisition checklists³
- 1 was missing the purchase log, acquisition checklist and requisition⁴
- 2 were missing requisitions and acquisition check lists
- 1 was missing the invoice⁵ and acquisition checklist
- 1 was missing the invoice

We also reviewed a judgmental sample of 35 purchase card transactions based on questionable vendor names and found 3 transactions (9 percent), totaling \$997, had no supporting documentation, and 11 transactions (31 percent), totaling \$3,750, had

¹For our statistical sample, we used our universe of 57,191 transactions and established a materiality threshold of \$50. We identified 13,649 transactions under \$50 totaling \$356,310, which accounted for less than 2 percent of the total dollars spent. We excluded these transactions from the universe, leaving us with a remaining population of 43,542 transactions totaling \$18,996,790 from which we statistically selected a random sample of 82 transactions.

² The Purchase Log lists all purchasing activities and is submitted each month for review.

³ The Micro Purchase Award Documentation Checklist, also known as the Acquisition Checklist, provides guidance on correctly documenting award actions.

⁴ The Requisition is used to initiate the request of supplies and/or services and to show that the transaction was approved.

⁵ The Invoice is documentation of the transaction that details line item pricing and pertinent seller/provider information.

inadequate supporting documentation. The 11 transactions had inadequate supporting documentation as follows:

- 6 were missing purchase logs and acquisition checklists
- 2 were missing invoices
- 1 was missing the purchase log, acquisition checklist, invoice, and requisition
- 1 was missing a bank memo statement,⁶ purchase log, acquisition checklist and requisition
- 1 was missing the purchase log

The Handbook, Section 3.5, Supporting Documentation, states that after supplies or services are purchased, certain documentation or records for transactions should be assembled by the cardholder for use in verifying and reconciling bank memo statements and recording the transaction in DOL's accounting system. At a minimum, supporting documentation for all charges must include the following:

- Invoice
- Purchase Log
- Acquisition Checklist
- Requisition
- Bank Memo Statement

The Handbook requires the cardholder to maintain copies of this supporting documentation for 3 years. Appropriate supporting documentation should include each line item total and should match the total amount on the bank memo statement.

AOs are responsible for reviewing micro-purchases and for requesting, obtaining, and controlling the purchase cards for all individuals under their jurisdiction, while A/OPCs are responsible for central control and processing pertaining to the designation of cardholders and AOs.

We reviewed 117 (82 statistical and 35 judgmental) sample transactions and found they all (with the exception of those initially flagged as fraudulent by the cardholder) appeared appropriate and reasonable. The AO also approved the transactions for payment in DOL's financial system. Per the Handbook, this approval action signified the AO had reviewed each transaction and supporting documentation and determined the transaction was legitimate and should be paid. However, we noted 18 transactions had no evidence of AO review before the AO approved them for payment.

While we did not identify the purchase of any inappropriate or unauthorized goods or services, the failure to ensure cardholders are retaining required documentation may

⁶ The Bank Memo Statement, also known as the Credit Card Statement, shows monthly charges of the purchase cardholder. It is used as a monitoring tool by the approving officials to ensure that transactions requested were purchased.

prevent an authorizing official from identifying any illegal, improper, and/or erroneous purchases.

CARDHOLDERS DID NOT REQUEST TAX-EXEMPT STATUS

Our review of 117 purchase card transactions — 82 statistically sampled and 35 judgmentally sampled — found 7 transactions for which the purchase cardholders did not request tax-exempt status as required, resulting in \$53 charged for taxes that DOL should not have incurred. We found 1 of 82 statistically sampled transactions included \$1 in taxes in addition to the purchase price. Our judgmental sample of 35 purchase card transactions based on questionable vendor names identified 6 transactions that should not have been taxed, one of which incurred \$30 in taxes for a \$450 purchase.

Purchase cardholders did not utilize the federal government's tax-exempt status because they failed to ensure the taxes were not assessed for the transactions and the AO failed to appropriately monitor the transactions to ensure cardholders adhered to Handbook requirements.

According to the Handbook, Section 3.4, Tax Exempt Status, the supremacy clause of the U.S. Constitution (as interpreted by several U.S. Supreme Court decisions) establishes that states, including local governments, are prohibited from taxing the federal government. Therefore, when making purchases with the purchase card, cardholders should always request tax-exempt status for their purchases. The inclusion of taxes in government purchases is a violation of federal procurement regulations and results in DOL overpaying for goods and services.

PURCHASE WAS NOT MADE THROUGH THE FEDERAL GOVERNMENT'S MANDATORY SOURCE

Our review of a judgmental sample of 35 high-risk purchase card transactions based on a stratum of vendors/merchants that either incurred a high amount of transactions or appeared suspicious, identified 1 purchase that should have been made through a mandatory source. The \$116 purchase — for calendars at a Walmart — was inappropriate because the federal government had a mandatory source for calendars that the cardholder should have used.

For each of the 117 transactions tested, we checked OASAM's listing of Federal Strategic Sourcing Initiative Vendors⁷ and their Merchant Card Classification⁸ listing template to determine if they were on the approved list. We also reviewed the items

⁷ The Federal Strategic Sourcing Initiative (FSSI) is the structured and collaborative process of critically analyzing an organization's spending patterns to better leverage its purchasing power, reduce costs and improve overall performance. FSSI solutions provide easy access to its procurement vehicles, and greater discounts with volume increases.

⁸ The Merchant Classification Code (MCC) template is a listing of allowable purchasing categories (codes) based on the cardholders account authorization.

purchased in each transaction to determine if the purchases were allowed under federal and departmental guidelines.

According to the Handbook, Section 3.3.1, *Prohibited Micro-Purchases*, certain transactions were not to be made via the purchase card. These purchases included supplies, furniture, and equipment that were available through mandatory sources of supply and services. The prohibited transaction occurred because the purchase card holder did not follow the applicable policies and procedures to ensure the purchase was made from the federal government's mandatory source. Furthermore, the AO did not monitor the transaction to ensure that the transaction complied with the Handbook.

**CONTROLS OVER THE MANAGEMENT OF
PURCHASE PROGRAM PARTICIPANTS WERE NOT
CONSISTENTLY IMPLEMENTED**

Purchase card program participants (Cardholders, AOs, and A/OPCs) are governed by the policies and procedures contained in the Handbook. We identified purchase cardholders who exceeded their monthly purchase limits or split transactions to circumvent the micro-purchase limit, as well as program participant accounts that were not closed timely and program participants who had not received initial and/or refresher training as required.

**PURCHASE CARD HOLDERS EXCEEDED THEIR
APPROVED MONTHLY DOLLAR LIMITS**

We reviewed 57,191 transactions and 932 purchase cards and identified 19 purchase cardholders who exceeded their approved monthly purchase limit by a total of \$110,171. Three cardholders exceeded their approved monthly limit by more than \$10,000, and four cardholders exceeded their approved limit more than once (see Exhibit 2 – Cardholders Exceeding the Monthly Purchase Limit).

Handbook, Section 1.2, Policies and Limitations, states:

... The maximum cardholder purchase allowed for a single agency requirement will generally not exceed \$3,000 (including freight charges). Each cardholder will have a set limitation on the maximum amount per transaction and the total monthly spending limit. The default monthly spending limit for each cardholder is \$10,000. A cumulative monthly spending limit will be set for the sum of all cardholder purchases associated with each approving official.

In addition, Handbook, Section 2.3, Delegation of Authority, states that only the A/OPCs delegate purchase card authority to cardholders. The A/OPC may delegate up to \$25,000.

The approved monthly purchase limits assigned to the 19 purchase cardholders ranged from zero to \$25,000, and none of these purchase cardholders had received prior authorization to exceed their assigned limits. While Citibank, DOL's purchase card vendor, maintained individual monthly purchase limits in its system for each cardholder that was set by the AOs, the system did not have controls to suspend a purchase card account once the monthly spending limit was reached. In addition, OASAM did not have a system to flag accounts that reached their limits during the billing month.

In order to improve its oversight of DOL's purchase card program, OASAM officials stated DOL is in the process of implementing a new charge card management system that will assist in monitoring the purchase card program. The new system will flag transactions that violate policies, such as transactions exceeding the single and monthly purchase limits, and identify transactions for further review, such as purchases made on weekends and holidays.

PURCHASE CARD HOLDERS APPEARED TO SPLIT TRANSACTIONS TO CIRCUMVENT THE MICRO-PURCHASE LIMITS

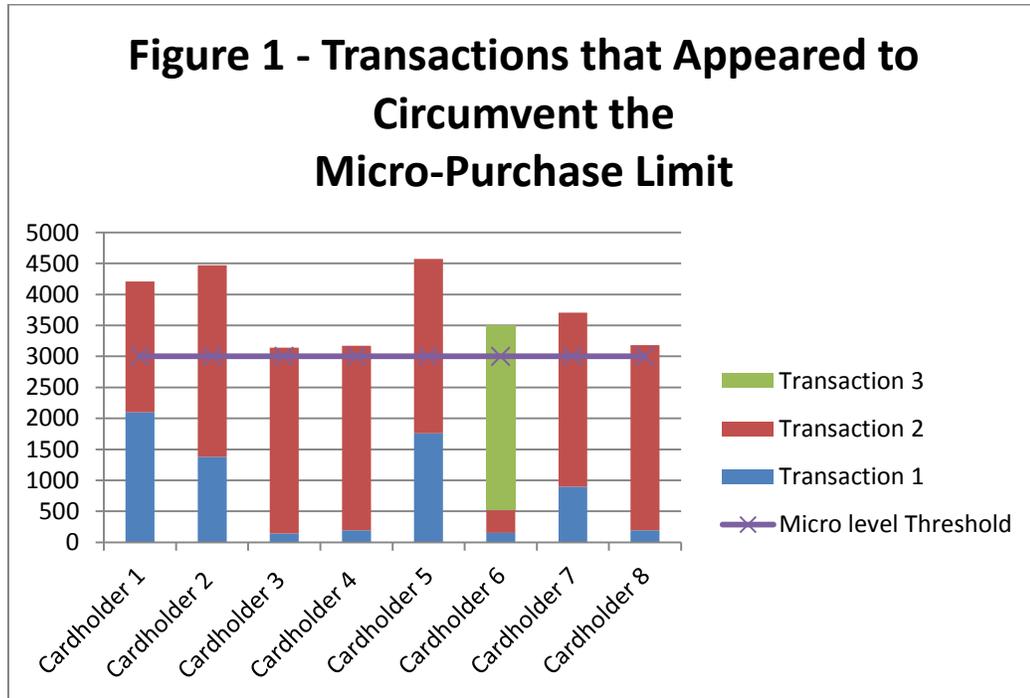
We analyzed purchases made by DOL purchase card holders between October 1, 2012, and December 31, 2013, to identify potential split purchases. Split purchases are those made by a single cardholder to the same vendor that are split into multiple purchases to avoid the \$3,000 micro-purchase limit. To identify these purchases and cardholders, we used Microsoft Excel and calculated a unique identification number that identified a cardholder who conducted multiple transactions at one vendor in the same day. Based on that analysis, we developed formulas in Microsoft Excel that identified transactions that were: (1) performed by the same cardholder; (2) conducted with the same merchant; (3) charged on the same day; and (4) collectively exceeded \$3,000, the individual cardholder micro-purchase limit.

Based on our analysis, we identified 129 potential split purchase instances involving 802 transactions, from which we judgmentally selected a sample of 30 instances totaling 190 transactions. We identified 8 instances consisting of 17 transactions, totaling \$29,950, which appeared to have been split to circumvent the micro-purchase limits (see Figure 1 – Transactions Incurred that Appear to Circumvent the Micro-Purchase Limit). This occurred because the AO failed to adequately monitor transactions as required by the Handbook (see Exhibit 3 – Transactions Incurred to Circumvent the \$3,000 Micro-Purchase Limit).

The following are examples of split purchases we identified:

- 2 transactions, totaling \$4,207, for the purchase of printer cartridges. Both transactions were conducted on the same day with the same vendor by the same cardholder.

- 3 transactions, totaling \$3,500, for the purchase of tools. All three transactions were made on the same day with the same vendor by the same cardholder.
- 2 transactions, totaling \$4,571, for the purchase of doors. Both transactions were made on the same day with the same vendor by the same cardholder.



According to the Handbook, Section 3.3.1, Prohibited Micro-Purchases, specific transactions are not to be made via the purchase card. These include fragmented micro-purchases, which can be purchases that individually cost under \$3000, but aggregately exceed \$3,000. Fragmentation can also include splitting purchases through the use of several smaller transactions in order to avoid the micro-purchase limit, regardless of whether the same or different merchants are used. Split transactions are prohibited and are a violation of federal procurement regulations. Purchases that fall into this category will be forwarded to the contracting officer for competition.

When purchases are split in this manner, normal procurement policies and procedures are not followed and the micro-purchase/single-transaction dollar limits are circumvented, violating federal procurement regulations. Furthermore, large dollar purchases made with purchase cards have not been properly competed and may result in DOL overpaying for goods and services and not receiving best value.

While component agencies' A/OPCs are responsible for the administration of the purchase card program, including ensuring that all transactions are supported and not

prohibited, OASAM is responsible for providing management oversight of DOL’s overall program to ensure component agency A/OPCs monitor their respective agency’s purchase card program. OASAM did not provide sufficient management oversight with regard to the A/OPCs’ periodic reviews of their component agencies purchase card programs.

The Handbook requires A/OPCs to complete periodic reviews of their agencies’ compliance with established controls over purchase card activity. OASAM could not provide documentation that 22 of 28 A/OPCs completed these reviews. In addition, the Handbook requires that signed bank memo statements with original receipt(s) and supporting documentation be forwarded to the designated AO for verification, approval, and certification for payment. However, we identified 14 out of 82 instances where the approving official did not approve reconciled bank memo statements.

PURCHASE CARD ACCOUNTS WERE NOT CLOSED TIMELY

Our review of the universe of 70 closed purchase card accounts identified 11 (16 percent) that were not closed by the A/OPCs until more than 30 days after the employee separated. In addition, our review of 932 cards from FY 2013 through the first quarter of FY 2014 identified 73 open accounts (8 percent) that had not been used for 12 or more months (see Table 1 – Inactive Purchase Cards).

Table 1 - Inactive Purchase Cards	
Period of Inactivity	Number of Cards
2 or more years	24
1 – 2 years	49
Total	73

The Handbook states that purchase cards assigned to cardholders who leave or transfer from DOL must be cut up and surrendered to the servicing administrative procurement services office or the A/OPC. However, the Handbook does not specify when purchase card accounts should be closed after an employee separates. In contrast, DOL’s policy for travel cards requires the cancellation of accounts on or before the employee’s date of separation.

Furthermore, the Handbook states the A/OPC is responsible for reviewing purchase card activity to identify and close or suspend all accounts that have been inactive for more than 12 months. However, A/OPCs did not annually review purchase card accounts to identify accounts that were inactive for more than 12 months and to determine if the accounts were still needed.

While none of the accounts had balances or appeared to have had unusual activity, any accounts that are not cancelled timely or are open and dormant represent internal

control deficiencies and increase the risk that improper purchases could occur without timely prevention and/or detection.

PURCHASE CARD PROGRAM PARTICIPANTS DID NOT RECEIVE TRAINING BEFORE BECOMING CARDHOLDERS

Of the 136 purchase card program participants we statistically sampled, DOL could not provide evidence that 6 cardholders had received any training, or that 92 program participants (84 cardholders, 5 A/OPCs, and 3 AOs) had completed initial training before becoming cardholders. In addition, while DOL could demonstrate current program participants had received refresher training, it could not provide evidence that 27 cardholders received this training at least every 3 years as required. When we informed OASAM of the 6 cardholders with no evidence of having received any training, OASAM reduced their spending limits to \$1 until they completed training.

The Handbook states all purchase card program participants must successfully complete the General Services Administration's (GSA) web-based, on-line purchase card course prior to their official nomination for acceptance into the program. All program participants are also required to take refresher training on purchase cards at least every three years. The refresher training may consist of either a formal, commercially available class or the GSA on-line course. A certificate of completion must be provided to the A/OPC when initial and refresher training is completed.⁹

Standards for Internal Control in the Federal Government – Appropriate documentation of transactions and internal control, states:

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

DOL's inability to provide evidence that some program participants had completed initial and refresher training stemmed from A/OPCs not maintaining certificates of completion and the lack of an appropriate mechanism to record when program participants initially became cardholders.

OASAM could not provide cardholder enrollment dates because DOL relied on Citibank to maintain each cardholder's enrollment information, including the date individuals initially became purchase cardholders. In October 2008, when Citibank transitioned from its SmartPay 1 system to the current SmartPay 2 system, its database changed the initial opening date to October 2008 for all accounts that existed prior to the

⁹ Cardholders and AO's provide their certificates to their A/OPC. A/OPC's provide their certificate to OASAM's Purchase Card Program Coordinator.

transition. At the time of our audit, 478 of the 932 open accounts showed October 2008 as the enrollment date, and DOL could not provide the actual date that they became cardholders because it did not retain enrollment data.

Due to the lack of accurate enrollment data, DOL could not demonstrate all program participants received required refresher training at least every 3 years. If purchase card program participants are not receiving required initial and refresher training, they risk not being familiar with the purchase card program policies and procedures and applicable changes in federal departmental guidance and may inadvertently violate established policy.

In order to improve its oversight of DOL's purchase card program, OASAM officials stated DOL is in the process of implementing a new charge card management system that will track initial and refresher training and maintain certificates of training completion.

OIG RECOMMENDATIONS

We recommend the Assistant Secretary for Administration and Management:

1. Complete implementation of the new charge card management system to assist in monitoring the purchase card program, and develop policies and procedures to use the system to monitor DOL component agency compliance with federal and DOL policies for purchase card transactions.
2. Complete implementation of the new charge card management system to:
 - a) track when the card is issued, b) indicate when refresher training is necessary, and c) document that required training has been completed.
3. Reemphasize to AOs and A/OPCs that their reviews must ensure purchase card transactions are conducted in compliance with the Handbook.
4. Reemphasize to purchase cardholders that transaction documentation must be retained for 3 years, taxes should not be paid on government purchases, and purchases should only be made from approved vendors.
5. Determine if Citibank can establish automated controls that will suspend a purchase card account once a cardholder's spending limit is reached. If Citibank cannot establish automated controls, develop an internal system to flag accounts that reach their limits during the billing month.

6. Review training records of all purchase card program participants and suspend accounts for cardholders who have not completed required training.
7. Reemphasize the training requirements to all purchase card program participants.
8. Establish policies and procedures to close the accounts of separated employees on or before their date of separation.
9. Reemphasize to A/OPCs their responsibility to review purchase card holder accounts annually and close any accounts that are not needed.

MANAGEMENT RESPONSE

The Deputy Assist Secretary for Administration and Management concurred with all of the OIG's recommendations. Furthermore, he stated new policies and procedures have already been issued and DOL is developing an internal program designed to flag purchases as potential purchase card policy violations, track required purchase card training dates, and store purchase card related documents for a minimum of three years.

Management's response to our draft report is included in its entirety in Appendix B.

We appreciate the cooperation and courtesies that OASAM personnel extended to the Office of Inspector General during this audit. OIG personnel who made major contributions to this report are listed in Appendix C.



Elliot P. Lewis
Assistant Inspector General
for Audit

Exhibits

Exhibit 1

Statistical Results for Projections

Attribute Results and Projection							
Condition	Universe Size	Sample Size	Exceptions (#)	Error Rate	Point Estimate	Lower Limit	Upper Limit
					95 % Confidence level		
Transactions with no supporting documentation	43,542	82	4	4.9%	2,896	566	5,225
Transactions with inadequate supporting documentation	43,542	82	15	18.3%	8,491	4615	12,366

Exhibit 2

Cardholders Exceeding the Monthly Purchase Limit

Cardholders that Exceeded the Monthly Purchase Limit					
Number of Instances	Cardholder	Billing Month	Approved Monthly Credit Limit	Monthly Spending	Amount Exceeding Monthly Purchase Limit
1	Cardholder 1	13-Sep	\$5,000.00	\$12,770.18	\$7,770.18
2	Cardholder 2	13-Sep	\$10,000.00	\$12,732.70	\$2,732.70
3	Cardholder 3	13-Aug	\$10,000.00	\$11,073.02	\$1,073.02
4	Cardholder 4	13-Sep	\$10,000.00	\$10,199.64	\$199.64
5	Cardholder 5	12-Oct	\$10,000.00	\$13,173.31	\$3,173.31
6	Cardholder 6	13-Sep	\$10,000.00	\$15,393.61	\$5,393.61
7	Cardholder 7	12-Oct	\$10,000.00	\$10,001.83	\$1.83
8	Cardholder 8	13-May	\$10,000.00	\$11,113.14	\$1,113.14
9	Cardholder 9	13-Aug	\$10,000.00	\$16,627.62	\$6,627.62
10	Cardholder 10	13-Mar	\$10,000.00	\$21,764.36	\$11,764.36
11	Cardholder 10	13-Feb	\$10,000.00	\$20,532.37	\$10,532.37
12	Cardholder 10	12-Dec	\$10,000.00	\$18,729.95	\$8,729.95
13	Cardholder 10	12-Nov	\$10,000.00	\$16,647.11	\$6,647.11
14	Cardholder 11	13-Aug	\$25,000.00	\$31,538.47	\$6,538.47
15	Cardholder 12	13-Oct	\$10,000.00	\$16,721.55	\$6,721.55
16	Cardholder 13	13-Jul	\$10,000.00	\$10,791.69	\$791.69
17	Cardholder 13	13-May	\$10,000.00	\$10,116.42	\$116.42
18	Cardholder 14	12-Oct	\$25,000.00	\$25,001.89	\$1.89
19	Cardholder 15	13-Sep	\$10,000.00	\$16,475.30	\$6,475.30
20	Cardholder 15	13-Apr	\$10,000.00	\$11,006.04	\$1,006.04
21	Cardholder 15	13-Jul	\$10,000.00	\$13,916.94	\$3,916.94
22	Cardholder 16	13-Aug	\$10,000.00	\$21,198.94	\$11,198.94
23	Cardholder 17	13-Apr	\$10,000.00	\$12,396.06	\$2,396.06
24	Cardholder 17	12-Oct	\$10,000.00	\$10,670.39	\$670.39
25	Cardholder 18	13-Sep	\$15,000.00	\$16,213.05	\$1,213.05
26	Cardholder 19	13-Sep	\$25,000.00	\$28,365.53	\$3,365.53
					\$110,171.11

Exhibit 3**Cardholders that Appeared to Circumvent the \$3,000 Micro-Purchase Limit**

Cardholders that Appeared to Circumvent the Micro-Purchase Limit					
No.	Card Holder	Transaction Date	Items Purchased	Transaction Amount	Total Amount of Vendor Transactions
1	Cardholder 1	10/12/2012	Printer Cartridges	\$2,100.55	
2	Cardholder 1	10/12/2012	Printer Cartridges	\$2,107.39	<u>\$4,207.94</u>
3	Cardholder 2	7/26/2013	Copier Parts and Labor	\$1,380.00	
4	Cardholder 2	7/26/2013	Copier Parts and Labor	\$3,090.48	<u>\$4,470.48</u>
5	Cardholder 3	9/19/2013	Furniture Handling and Assembly	\$140	
6	Cardholder 3	9/19/2013	Furniture	\$2,999.12	<u>\$3,139.12</u>
7	Cardholder 4	7/24/2013	Office Supplies	\$195.24	
8	Cardholder 4	7/24/2013	Office Supplies	\$2,975.78	<u>\$3,171.02</u>
9	Cardholder 5	9/5/2013	Doors and hardware	\$1,760.24	
10	Cardholder 5	9/5/2013	Doors and hardware	\$2,811.01	<u>\$4,571.25</u>
11	Cardholder 6	9/26/2013	Tools/Equipment	\$155	
12	Cardholder 6	9/26/2013	Tools/Equipment	\$360	
13	Cardholder 6	9/26/2013	Tools/Equipment	\$2,985.00	<u>\$3,500.00</u>
14	Cardholder 7	7/31/2013	Toner	\$895.22	
15	Cardholder 7	7/31/2013	Toner	\$2,811.61	<u>\$3,706.83</u>
16	Cardholder 8	6/3/2013	Copy Paper	\$191.60	
17	Cardholder 8	6/3/2013	Copy Paper	\$2,992.52	<u>\$3,184.12</u>

Appendices

Objective, Scope, Methodology, and Criteria

Objective

Did OASAM establish and implement adequate controls over DOL’s purchase card program to reduce the risk of illegal, improper, and/or erroneous purchases?

Scope

The audit covered 57,191 purchase card transactions and 932 open purchase cards during FY 2013 and the first quarter of FY 2014. We conducted fieldwork at the OASAM national office in Washington, DC, and interviewed OASAM officials, AOs, A/OPCs, and cardholders from 3 regional offices.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Methodology

We interviewed OASAM Office of Acquisition Management Services (OAMS) officials, and a sample of AOs, A/OPCs, and purchase cardholders based on OAMS’ FY 2013 list of purchase cardholders and the 3 agencies/regions with the largest population of cardholders. We conducted the interviews to gain an understanding of the controls in place over the purchase card program. We identified federal and departmental policies and requirements relating to the issuance, monitoring, and usage of the purchase card. We reviewed employment information from DOL’s Human Resources Database, cardholder account information from Citibank’s Custom Reporting System (CCRS), and program participant data from OAMS.

We reviewed all open purchase card accounts and compared them with DOL’s Human Resources employee listing to determine if any were assigned to separated employees. For recently closed purchase card accounts, we compared the account status change date within Citibank to the employees’ separation date to determine whether the purchase card was cancelled in a timely manner. We also reviewed the accounts of cardholders who did not have any transaction activity for more than 12 months, were their own approving official, were issued more than one purchase card, exceeded their established single purchase limit, exceeded the micro-purchase threshold limit of \$3,000, and exceeded their established monthly purchase limit.

To develop our universe of participants who required training, we obtained OAMS’ FY 2013 list of purchase cardholders, A/OPCs, and AOs, and identified 920 program

participants. We generated a random sample of 136 participants from EZQuant after factoring the universe of 920 using a 95 percent confidence level, +/- 7 sample precision, and an expected 25 percent error rate.

To develop our universe of Citibank purchase card purchase transactions that occurred during FY 2013 and the first quarter of FY 2014, we generated a report via CCRS that contained transactions under the following categories: purchases, ATM cash advance, ATM cash advance reversal, cash advance fee, cash advance fee reversal, non ATM cash advance, non ATM cash advance reversal & debit adjustments. We identified 57,191 transactions, totaling \$19,353,100.

To determine if accounts were being used in accordance with departmental guidance, we reviewed a random sample of transactions incurred from October 1, 2012, through December 31, 2013. We used our universe of 57,191 transactions and established a materiality threshold of \$50 to exclude transactions under that dollar amount (which totaled 13,649 transactions, totaling \$356,310). This left us with a population of 43,542 transactions, totaling \$18,996,790, from which we statistically selected a random sample of 82 transactions.

We also used our population of 43,542 transactions to conduct judgmental testing of transactions involving potential high-risk categories and transaction dates, such as year-end, weekend, and holiday purchases; vendors not on DOL's Federal Strategic Sourcing Initiative listing; and potential split purchases (same day/same vendor transactions).

We identified 4,316 year-end purchases (September 1-30, 2013), totaling \$2,204,987. We randomly selected 30 transactions from our universe for testing using ACL Analytics Statistical Software.

Our judgmental review of Citibank transactions identified 190 high-risk transactions. We randomly selected 35 transactions from our universe for testing using ACL Analytics Statistical Software.

Lastly, we created a unique transaction identification number based on the Account Number, Merchant Name, and Transaction Date fields. We used that identification number to identify multiple vendor transactions in a single day by a cardholder, and also identify if the total spending exceeded the \$3,000 micro-purchase limit. Our analysis found 802 same day-same vendor purchases (129 instances), totaling \$674,438.20. We then randomly selected 30 instances from our universe for testing using ACL Analytics Statistical Software. In total those 30 instances selected accounted for 190 transactions.

We performed a data reliability assessment to ensure we had complete and accurate data by comparing the employment information from DOL's Human Resources Database to the Purchase Card Account information within Citibank's CCRS database. We also reviewed the computer program used to extract the list of all DOL employees

(active and separated), to ensure its accuracy. We concluded the data to be sufficiently reliable for our audit purposes.

In planning and performing our audit, we considered internal controls that were relevant to our audit objective. We confirmed our understanding of these controls through interviews and reviews of policies and procedures. Our consideration of internal controls relevant to our audit objective would not necessarily disclose all matters that might be significant deficiencies. Because of inherent limitations in internal controls, noncompliance may nevertheless occur and not be detected.

Criteria

1. U.S. Department of Labor Purchase Card Program Handbook, April 8, 2009
2. OMB Circular A-123, Appendix B, “Improving the Management of Government Charge Card Programs,” Revised January 2009
3. The Government Charge Card Abuse Prevention Act of 2012, (Pub.L.112-194, October 5, 2012)
4. Standards for Internal Control in the Federal Government (GAO-14-704G, September 2014)

OASAM Response to Draft Report

U.S. Department of Labor

Office of the Assistant Secretary
for Administration and Management
Washington, D.C. 20210



SEP 23 2015

MEMORANDUM FOR ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: EDWARD C. HUGLER
Deputy Assistant Secretary for
Administration and Management

SUBJECT: Response to DOL Purchase Card Program Draft Audit
(Report No. 17-15-003-07-001)

This responds to the Office of Inspector General's (OIG) Draft Audit Report on the DOL Purchase Card Program, issued September 9, 2015. We appreciate the opportunity to review the Report and provide our comments.

On a positive note, the balance and completeness of the Audit Report is aided by the unambiguous statement that the OIG "...did not identify the purchase of any inappropriate or unauthorized goods or services." The relevance of the Audit Report is diminished, however, by its reliance on data sampled from October 1, 2012, to December 31, 2013 – which substantially pre-dates the Office of the Assistant Secretary for Administration and Management's (OASAM) August 2014 publication of the revised Purchase Card Program Handbook. This updated Handbook provides guidance, program policies, and procedures, and addresses many of the issues identified in the Audit Report.

That said, OASAM concurs with the OIG's recommendations, as outlined below.

Recommendations:

1. Complete the implementation of the new charge card management system to assist in monitoring the purchase card program and develop policies and procedures to use the system to monitor DOL component agency compliance with Federal and DOL policies for purchase card transactions.

Management's Response: OASAM concurs with this recommendation. The Government Purchase Card (GPC) Transaction Database is an internal program designed for the Department of Labor's Purchase Card Program participants (i.e., Agency/ Organization Program Coordinators (A/OPC), Approving Officials, and Cardholder). The GPC Transaction Database will be deployed in Q2 of FY16. This database will allow for reviewing purchases flagged as potential purchase card policy violations, track required purchase card training dates and store purchase card related documents for a minimum of three years.

2. Complete the implementation of the new charge card management system to a) track when the card is issued, b) indicate when refresher training is necessary, and c) document that required training has been completed.

Management's Response: OASAM concurs with this recommendation. The GPC Transaction Database is an internal program designed for the Department of Labor's Purchase Card Program participants (A/OPCs, Approving Officials and Cardholder) that when deployed in Q2 FY16, will allow for the tracking of required purchase card training dates, to include refresher training, and store purchase card training completion certificates for a period of three years.

3. Reemphasize to AOs and A/OPCs that their reviews must ensure that purchase card transactions are conducted in compliance with the Handbook.

Management's Response: OASAM concurs with this recommendation. OASAM's Office of Acquisition Management Services (OAMS) will conduct several training sessions in this and other Government Purchase Card related topics beginning in Q2 FY16.

4. Reemphasize to purchase cardholders that transaction documentation must be retained for 3 years, taxes should not be paid on government purchases, and purchases should only be made from approved vendors.

Management's Response: OASAM concurs with this recommendation. OASAM believes that by issuing the revised Purchase Card Program Handbook, sufficient emphasis has been placed on transaction documentation and payment on taxes on government purchases. The updated Handbook provides extensive guidance pertaining to the roles and responsibilities of the cardholder and approving official on these topics. In addition, *section 3.15 Purchase Card Transaction File Documentation* in the Handbook, provides very clear and concise guidance regarding what documentation should be included with each purchase card transaction file and the documentation retention period. Upon deployment of the GPC Transaction Database in Q2 FY16, purchase card transaction documentation will be stored in the GPC Transaction Database for a minimum of three years. Also, section 3.13 of the newly revised Handbook provides very clear guidance regarding Tax Exempt Status.

5. Determine if Citibank can establish automated controls that will suspend a purchase card account once a cardholder's spending limit is reached. If Citibank cannot establish automated controls, develop an internal system to flag accounts that reach their limits during the billing months.

Management's Response: This control already exists with Citibank. Once a cardholder has reached their spending limit, Citibank will automatically decline any following transactions. In order to increase the spending limit, the cardholder must request such addition from the OAMS. If approved, the new spending limit will be effective.

6. Review the training records of all purchase card program participants and suspend accounts for cardholders who have not completed required training.

Management's Response: OASAM concurs with this recommendation. A/OPCs will use the GPC Transaction Database, once deployed in Q2 FY16, to monitor, track and identify the required training for the purchase card program participants under his/her purview. The A/OPC will suspend spending and approval privileges for purchase card holders who are not in compliance with the mandatory purchase card training requirements.

7. Reemphasize the training requirements to all purchase card program participants.

Management's Response: OASAM concurs with this recommendation. OASAM believes the revised Purchase Card Program Handbook provides ample guidance pertaining to purchase card training requirements for the A/OPC, Approving Official and Cardholder. The requirements are well documented in section 2.1 (Training Requirements) of the Handbook. The GPC Transaction database, once deployed, will generate notifications to the purchase card program participants within 90, 60 or 30 days of purchase card training expiration. The purchase card program participant will be required to take refresher purchase card training upon receipt of the notification.

8. Establish policies and procedures to close the accounts of separated employees on or before their separation.

Management's Response: OASAM concurs with this recommendation. Policies and procedures to close accounts for separated employees on or before their separation are delineated in the revised Purchase Card Program Handbook. Section 2.6 (Canceling Purchase Cards) provides very clear and concise guidance to the purchase card program participant regarding their responsibility when separating from DOL. In addition to the guidance highlighted in the Handbook, DOL requires all separating employees to complete a separation clearance form before separating; upon receipt of a separation clearance form, the respective A/OPC verifies with Citibank if the separating employee is a purchase cardholder. If it is determined that the separating employee is a purchase cardholder, the A/OPC immediately closes the purchase card account. OASAM will work in concert with the Human Resource Center (HRC) to successfully identify employees who are separating from DOL and ensure immediate termination of their purchase card account. A process will be established no later than the end of Q2 FY16.

9. Reemphasize to A/OPCs their responsibility to review purchase cardholder accounts annually and close any accounts that are not needed.

Management's Response: OASAM concurs with this recommendation. To ensure compliance with this recommendation, A/OPCs will be required to generate Citibank Purchase Card usage reports every 90 days. With the exception of emergency cardholders, purchase card accounts with non-usage greater than 90 days will be closed or the single purchase limit will be reduced to \$1; the latter will pertain to cardholders who are the only cardholder for their work section. A purchase card notice will be disseminated in Q1 FY16 to all purchase card participants concerning the above updates; the Purchase Card Handbook will also be updated in Q1 FY16 to reflect the changes.

Appendix C

Acknowledgements

Key contributors to this report were Tracy Katz (Audit Director), Zaunder Saucer (Audit Manager), Tinuke Aruwayo, Steven Johnson, and Lawrence Alli.

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