



United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL





Review of the Department's U.S. Bank Purchase Card and Convenience Check Data

Audit Report 50024-0001-13

What Were OIG's Objectives

To determine whether agencies' purchase card holders are following rules and regulations; to analyze USDA purchase card and convenience check users' data for anomalies and signs of potential fraud, misuse, and abuse; and to determine whether improper payments occurred. An annual review is required by the *Government Charge Card Abuse Prevention Act of 2012*.

What OIG Reviewed

We gained an understanding of how the Department and selected agencies administer activities related to purchase cards and convenience checks. We reviewed 230 questionable convenience check and purchase card transactions and 489 reported erroneous transactions from October 1, 2010, to September 30, 2011, from 6 agencies, as well as U.S. Bank's automated Access Online system data.

What OIG Recommends

OPPM should ensure that all card holders and approving officials take standardized training, perform required reviews, update guidance to include prohibited transactions' controls, and ensure prior audit recommendations have been resolved.

OIG reviewed USDA's purchase card and convenience check transactions to identify anomalies and signs of potential fraud, misuse, and abuse.

What OIG Found

The Office of Inspector General (OIG) found that, due to inadequate training and guidance, questionable charges were approved and processed by the Department of Agriculture (USDA) agency personnel—including agency card holders, their supervisors, and local agency program coordinators—with minimal oversight from the Office of Procurement and Property Management (OPPM). We selected 230 transactions from 6 agencies for review and found that 174 transactions, totaling about \$163,160, were questionable because transactions were prohibited by OPPM's policy, were not properly approved, or lacked supporting documentation. While we have noted most of these issues in prior audits, OPPM has not sufficiently addressed them.

We also found that, although agencies and their card holders were typically reporting erroneous transactions regularly and within the prescribed timelines, U.S. Bank's Access Online system did not accurately report the resolution status of reportedly erroneous transactions. In fiscal year 2011, card holders reported to U.S. Bank 489 erroneous transactions charged in foreign currencies. However, because data in Access Online—the system used to manage purchase card and convenience check transactions—are unclear, OPPM was unsure whether the funds had been recovered.

OPPM concurred with our findings and issued guidance to strengthen the purchase card program during the course of our review in response to our interim disclosures of information concerning questionable transactions.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: March 13, 2015

AUDIT
NUMBER: 50024-0001-13

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Director
Office of Procurement and Property Management

ATTN: Lennetta Elias
Audit Liaison Officer

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Review of the Department's U.S. Bank Purchase Card and Convenience
Check Data

This report presents the results of the subject audit. Your written response to the official draft report, dated January 30, 2015, is included in its entirety at the end of this report. Excerpts from your response and the Office of Inspector General's position are incorporated into the relevant sections of the report. Based on your responses to the official draft, we accept management decision on all recommendations, and no further response to this office is necessary.

Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer. In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publically available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

Table of Contents

Background and Objectives	1
Section 1: Inadequate Oversight	4
Finding 1: OPPM and Agencies Need to Improve Oversight of Questionable Transactions	4
Recommendation 1	7
Recommendation 2	7
Recommendation 3	8
Finding 2: OPPM Needs to Improve Oversight of Erroneous Charges	9
Recommendation 4	10
Recommendation 5	10
Scope and Methodology	12
Abbreviations	14
Exhibit A: Results of the Questionable Purchase Card and Convenience Check Transactions Sampled	15
Agency's Response	17

Background and Objectives

Background

The Department of Agriculture's (USDA) purchase card program, administered by the Office of Procurement and Property Management (OPPM), includes the use of purchase cards and convenience checks.¹ The use of purchase cards has dramatically increased in the past years as agencies have sought to eliminate paperwork associated with making low dollar acquisitions. In fiscal year (FY) 2011, USDA's purchase card program had 16,415 purchase card holders; 4,090 of these card holders also had the authority to use convenience checks as an alternative method of payment.

According to Departmental Regulations, purchase cards can be used for supply and/or service procurements valued at or below the micro-purchase threshold of \$3,000, and construction acquisitions valued at or below \$2,000. Under certain circumstances, prior approval is needed before using the purchase card. In addition, purchase cards can be used by warranted personnel for actions at or below the Simplified Acquisition Threshold. The single purchase limit may not exceed the warranted individual's delegated authority.²

In instances where vendors do not accept purchase cards, card holders can use convenience checks; however, purchase cards are preferred over the use of convenience checks. Convenience checks reduce the need for cash, permit vendors to receive immediate payment for their goods and services, and provide improved audit trails and internal controls over using cash. Convenience check funds are drawn from a card holder's account and reconciled in the purchase card management system. Pursuant to the Debt Collection Improvement Act (DCIA), convenience checks may only be used when a vendor does not accept the purchase card, and a waiver is provided based on the DCIA criteria. Departmental Regulations prohibit writing convenience checks over \$2,500, except in an emergency. Warranted purchase card holders may exceed \$2,500 under certain circumstances with prior approval.³

OPPM has the authority to establish policies, standards, techniques, and procedures—including developing and administering principles and objectives supporting the use and administration of the program—as well as to implement prior audit recommendations. OPPM is responsible for providing agencies with the tools and training necessary to conduct oversight. USDA agencies are accountable for how purchase cards are used and the manner in which funds are spent, and are

¹ Pursuant to Departmental Regulation (DR) 5013-6, *Use of the Purchase Card and Convenience Check*, February 13, 2003, the Departmental Program Coordinator in OPPM manages the USDA purchase card program. OPPM's USDA Charge Card Service Center (CCSC) was established in June 2008 to manage the charge card program for the Department.

² DR 5013-6, *Use of the Purchase Card and Convenience Check*, February 13, 2003, states that the "simplified acquisition threshold" is \$100,000, except for acquisitions of supplies or services. The warrant is the contracting authority delegated to a USDA employee. Only warranted USDA employees may purchase above the micro-purchase level. Warranted individuals may use the purchase card and, if issued, convenience checks, in accordance with regulations up to the single and monthly purchase limits established for their cards.

³ DR 5013-6, *Use of the Purchase Card and Convenience Check*, February 13, 2003.

responsible for establishing and maintaining internal controls to (1) ensure that purchase card program goals and objectives are met, and (2) safeguard against fraudulent, wasteful, and abusive purchases.

Guidance such as *GSA Blueprint for Success: A Guide for Purchase Card Oversight*; DR 5013-6, *Use of the Purchase Card and Convenience Checks*; and *Office of Management and Budget (OMB) Circular A-123*, Appendix B, list purchase card program prohibited items, or items that require pre-purchase approval, and merchant category codes (MCC) that are questionable, thus requiring further review.^{4,5} Purchase card holders are also required to obtain prior approval before making self-generated purchases. Coordinators are responsible for reviewing purchase card use on a regular basis—at least monthly by card holder supervisors and quarterly by the local agency program coordinators (LAPC). The card holders are required to provide the approving officials (AO) with copies of transaction documentation for the AOs' final approval. As a part of this review, the AO determines whether:

- Transactions are for official Government business and represent legitimate needs of the Government.
- Transactions are within the card holder's single purchase limit.
- Adequate item descriptions for transactions are entered and approved as required.
- Prior approval was obtained before procuring supplies and services.
- Documentation adequately supports transactions.
- Transactions over \$300 have evidence on file of independent receipt and acceptance from someone other than the card holder.

USDA has contracted with U.S. Bank for its purchase cards. U.S. Bank, in turn, manages purchase card transactions and related data through its web-based access tool called Access Online. This system is used for establishing and managing card accounts, including account reconciliation and purchase approval by card holders and AOs. It is also used by LAPCs to perform management and oversight of purchase card transactions. U.S. Bank pays vendors directly for purchase card charges and USDA reimburses U.S. Bank.

In 2001 and 2005, the Office of Inspector General (OIG) performed reviews of the Department's purchase cards and convenience checks.⁶ These reviews recommended that OPPM (1) ensure that agency and local coordinators timely complete reviews of designated system alerts and selected transactions, (2) ensure that the immediate supervisors are required periodically to review card holders' purchases and reconciliations, and (3) strengthen internal controls that prevent and detect purchase card program improper payments, such as reconciling card holders'

⁴ The purchase card and alternative payment methods should not be used for cash advances, cash awards, money orders, long-term rental or lease of land or buildings, rental or lease of motor vehicles, official travel expenses, personal purchases, or other questionable purchase(s) except as allowed by mission critical need and proper requisition and agency approval.

⁵ MCC codes designate a merchant type by code that can be blocked by U.S. Bank.

⁶ Audit Report 50099-0026-FM, *Some Changes Would Further Enhance Purchase Card Management System Internal Controls* (August 2001), and Audit Report 11099-0044-FM, *Purchase Card Management System Controls Need Strengthening* (August 2005).

transactions, making system alerts more effective, and strengthening policies governing supervisory oversight.

The *Government Charge Card Abuse Prevention Act of 2012 (Act)*, Public Law 112-194, dated October 5, 2012, requires heads of executive agencies that issue and use purchase cards and convenience checks to “establish and maintain safeguards and internal controls” over their usage. The Act further requires OIG to take these actions:

- Conduct periodic assessments of the agency’s purchase card program to identify and analyze the risks of illegal, improper, or erroneous purchases and payments;
- Perform analyses or audits, as necessary, of purchase card transactions designed in part to identify potentially illegal, improper, or erroneous uses of purchase cards;
- Report the results of such analyses or audits to the head of the executive agency concerned; and
- Report to OMB on the agency’s implementation of recommendations that address the audit findings.⁷

Additionally, when purchase card program expenditures total more than \$10 million annually, the Act requires the head of each executive agency and OIG to jointly report semiannually to OMB any violations or other actions committed by employees covered by the Act. *OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012*, September 6, 2013, provides guidance to executive departments and agencies on implementing the Act’s internal control and reporting requirements.

Objectives

We performed this audit to determine whether agencies’ purchase card holders are following rules and regulations that govern the use of the Department’s U.S. Bank purchase cards and convenience checks; to analyze the Department’s purchase card and convenience check users’ data for anomalies and signs of potential fraud, misuse, and abuse; and to determine whether improper payments occurred.

⁷ On January 31, 2014, we reported to OMB that our most recent audits of the purchase card program resulted in three recommendations for corrective action, all of which were closed. We further reported that OIG was in the process of performing an audit of the purchase card program and expected to issue this report by the end of February 2015.

Section 1: Inadequate Oversight

Finding 1: OPPM and Agencies Need to Improve Oversight of Questionable Transactions

Of the 230 questionable purchase card and convenience check transactions sampled, we found that 174 transactions, totaling about \$163,160, were not properly approved, not adequately supported, or used for potentially inappropriate purchases (see Exhibit A). This occurred due to inadequate oversight at both the agency and Departmental levels. Agencies were not consistently training card users or supervisors, were not performing their required reviews, and occasionally overrode or disregarded controls intended to prevent questionable purchases from being processed. This occurred because OPPM, which administers the purchase card program, had not issued standardized guidance on what training modules and card holder reviews should entail, or provided a comprehensive list of prohibited purchases that agencies and U.S. Bank should use when monitoring and screening transactions. Also, OPPM has not implemented prior audit recommendations to monitor agency card usage or initiated spot checks to ensure reviews were taking place.

USDA's purchase card program has controls at two levels. Agencies provide the first line of defense against fraud, waste, and abuse within the purchase card program. To ensure that card holders and supervisors are aware of their responsibilities in ensuring proper card use, both are required to receive training.⁸ Additionally, transactions are to be monitored on a regular basis. OPPM, as the managing agency of the USDA purchase card program, is responsible for providing oversight and guidance to the agencies. To do so, OPPM develops and administers Departmental policies, standards, and procedures governing procurement. OPPM is responsible for ensuring mandatory requirements are met by monitoring purchase card transactions, training program participants, reviewing purchases on a regular basis, and evaluating the effectiveness of training and reviews, as well as effectively implementing prior audit recommendations.⁹

To identify potential instances of purchase card and convenience check misuse, we identified a universe of over 169,000 questionable transactions at the 6 agencies selected for review. We reviewed 230 questionable transactions and found 174 transactions had at least 1 potential issue. Our sample of 230 transactions included 100 purchase card transactions and 130 convenience check transactions. Specifically, we identified:

- 50 transactions, totaling \$47,044, were not properly approved—11 of these were self-approved by the card holder and 39 were processed without any approval.
- 13 convenience checks, totaling \$17,244, did not have the required waiver to authorize the use of a convenience check rather than the purchase card.

⁸ According to *OMB Circular A-123*, all program participants, including cardholders and charge card managers (including Agency/Organization Program Coordinator, AOs, and other accountable/billing officials), must be trained in charge card management. All program participants must be trained prior to appointment, must take refresher training every 3 years at a minimum, and must certify that they have received training.

⁹ USDA's Delegations of Authority (Title 7, *Code of Federal Regulations*, Section 2.93) and DR 5013-6, *Use of the Purchase Card and Convenience Check*, February 13, 2003.

- 82 transactions were not properly supported—25 transactions, totaling \$32,693, had no supporting documentation and 57, totaling \$45,411, did not have adequate support.
- 8 transactions, totaling \$12,534, did not include adequate product descriptions in the Access Online system for the reviewers to understand why the transactions were necessary, but were approved by the reviewers.
- 9 purchase card transactions, totaling \$1,141, were made at merchants with unauthorized MCCs and were not properly approved.
- 12 convenience checks, totaling \$7,092, were used for potentially inappropriate purposes or did not provide a description at all.

This occurred because (1) users and their supervisors were not adequately trained, (2) OPPM had not provided guidance on training and review requirements, (3) agency supervisors and OPPM were not monitoring transactions adequately or regularly, and (4) supervisors overrode the prohibited transaction codes without the appropriate justifications. While we have noted these issues in prior audits, OPPM has not sufficiently addressed them.¹⁰

Questionable transactions occurred because card holders and their supervisors were not adequately trained. When asked why the questionable transactions had been processed, the responsible users or supervisors informed us that they were either unaware of, or had not taken, applicable training. We reviewed the training provided by agencies and found that the agencies provided inconsistent information to their employees. This occurred because OPPM had not provided standardized guidance or core requirements for training supervisors and users; therefore, each agency had developed its own content and methods of training, which were sometimes incomplete. When we identified this issue in a prior audit, we recommended that OPPM determine agencies' and local coordinators' procedural and training needs, and ensure that program managers provided written procedures and formal training to these coordinators, as appropriate.¹¹ In response, OPPM, in coordination with the Office of the Chief Financial Officer (OCFO), agreed to include training aids and process oversight. Clear training and guidance is a necessary precaution against inadvertent errors. In response to our current audit work, OPPM implemented training through USDA's AgLearn.¹² It also issued updated guidance, which requires card holders to submit a completed training certificate when applying for a card.

¹⁰ Previous purchase card program audit reports include (1) *Some Changes Would Further Enhance Purchase Card Management System Internal Controls* (50099-0026-FM, August 2001); (2) *Purchase Card Management System Controls Need Strengthening* (11099-0044-FM, August 2005); and (3) *OMB Circular A-123, Appendix B – Improving the Management of Government Charge Card Programs* (January 2009). These reports contained findings similar to those identified in this review. These reviews recommended OPPM ensure agency and local coordinators timely complete reviews of designated system alerts and selected transactions, ensure that the immediate supervisors are required to periodically review card holders' purchases and reconciliations, and strengthen internal controls that prevent and detect purchase card program improper payments such as reconciling card holders' transactions, making system alerts more effective, and strengthening policies governing supervisory oversight.

¹¹ *Some Changes Would Further Enhance Purchase Card Management System Internal Controls* (50099-0026-FM, August 2001).

¹² The Agriculture Learning (AgLearn) system is USDA's official system for managing training records and activity for all USDA employees.

We also found that oversight of card holder transactions was weak. Card holder supervisors are currently required to monitor and approve card holder transactions using Access Online monthly. However, we found that agencies were not performing these reviews consistently. Had the reviews been performed adequately, issues such as missing item descriptions would have been identified. Similarly, we found that the LAPCs were not performing their required reviews. On a quarterly basis, the agency's LAPC is required to perform a review, which includes approximately 25 percent of its card holders. This results in 100 percent coverage during the year. The agency program coordinator (APC) then reviews these LAPC reports.¹³ However, we found that these reviews were not consistently performed across the six selected agencies during our audit period, and some agency officials could not provide evidence that the 2011 reviews were completed at all.

OPPM did not adequately monitor the quarterly review process and did not ensure the reviews were taking place. Though we noted this issue in a prior audit, OPPM has not yet taken steps to ensure agencies are performing their reviews.¹⁴ In July 2011, in response to an *OMB Circular A-123* testing finding, OPPM stated that it would institute a monthly random sample of the agencies' requisition and receipt transactions.¹⁵ OPPM had determined the sample size in early 2013; however, OPPM confirmed that agencies had just recently begun reviewing transactions.

We also found that agency supervisors were overriding a control, the MCC, which is intended to flag questionable transactions—such as those taking place at casinos, or payments to charitable organizations—to prevent the bank from processing them. While OPPM explained that supervisors have the authority to override transactions flagged with questionable MCCs in specific circumstances, they should provide a justification each time they do. Supervisors were not providing this justification, and OPPM did not have a policy requiring a justification. Additionally, OPPM had not provided agencies with updated guidance containing consistent information for determining what transactions are prohibited. While OPPM's Departmental guidance does have a list of prohibited transactions, it is not comprehensive. For instance, OPPM did not include all of OMB's prohibited transaction types in its guidance. Additionally, we found that OPPM had not updated the electronic template the bank uses to automatically flag prohibited transactions; as a result, transactions which were prohibited, but not listed on the template, were processed. Until comprehensive guidance and consistent training is implemented, taxpayer dollars may go towards reimbursing questionable purchases.

During our audit, OPPM implemented some changes, including issuing DR 5013-6, *Use of Purchase Card and Related Alternative Payment Methods* (November 14, 2012), covering prohibited transactions and providing standardized training in AgLearn for card holders prior to receiving their new card.¹⁶ Due to the lack of training and guidance and because agencies reviewed the relevance of these transactions during our audit, we are not recommending the

¹³ *Coordinator's Purchase Card Program Guide* (Updated: March 31, 2014).

¹⁴ *Some Changes Would Further Enhance Purchase Card Management System Internal Controls* (50099-0026-FM, August 2001).

¹⁵ *OMB Circular A-123 Testing Findings*, July 28, 2011. This is a required annual testing of internal controls by the agencies. Appendix B of *OMB Circular A-123* prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in Government charge card programs.

¹⁶ The title of DR 5013-6 also changed with the update from *Use of the Purchase Card and Convenience Checks* to *Use of Purchase Card and Related Alternative Payment Methods*.

recovery of approximately \$163,160 associated with the questionable transactions and are not recommending agencies review these transactions for appropriateness. However, additional actions are needed to strengthen the purchase card program against fraud, waste, and abuse. These include such things as standardized training, validation that required reviews are performed, and documentation of required justifications. As OPPM develops the standardized training for the purchase card program, it should review transaction data from other fiscal years to identify any other types of instances of purchase card and convenience check misuse.

Recommendation 1

Continue efforts to develop and implement standardized training materials for new and active AOs, APCs, LAPCs, and card holders across all USDA agencies and verify that the training is completed.

Agency Response

OPPM offers more than seven standardized training courses and related materials for AOs, APCs, LAPCs, and card holders based on OMB requirements. Within AgLearn, OPPM plans to offer the annual Charge Card Service Center (CCSC) and agency training, and OPPM will track this training to validate if it meets OPPM's minimal refresher training requirements. OPPM's CCSC and the AgLearn team continue to work jointly toward automating the USDA charge card tracking and training requirements. By September 2015, OPPM plans to develop new USDA charge card training; to revise existing charge card training, as required; and to verify AgLearn tracking adequately captures completed annual training.

Estimated completion schedule of September 2015.

OIG Position

We accept OPPM's management decision response for this recommendation.

Recommendation 2

Develop and implement processes to validate that agency AOs are reviewing transactions monthly, and LAPCs are performing quarterly reviews of card holder transactions by periodically sampling the reviews. Also, require the LAPC to certify that any identified issues were addressed.

Agency Response

OPPM documented AOs' and LAPCs' activity processes including the frequency, and developed reports for AOs' and LAPCs' use during charge card validations. The *AO Purchase Card Program Guide* and the *Coordinator Purchase Card Program Guide* outline the frequency for AOs and LAPCs to perform and to certify completion of the charge card activities, management,

and oversight. By September 2015, OPPM will develop LAPCs' certification processes to confirm the completion and resolution of identified issues.

Estimated completion schedule of September 2015.

OIG Position

We accept OPPM's management decision response for this recommendation.

Recommendation 3

Develop and implement comprehensive guidance defining which merchant category codes (MCC) are blocked. This guidance should require agencies to document a justification when overriding transactions in blocked MCC categories.

Agency Response

OPPM conducts monthly reviews of cardholder transactions to identify potential fraud, misuse, and abuse. OPPM sends the results of the review to APCs with guidance for them to respond with transaction details within 15 days. OPPM will issue guidance requiring agencies to document justification for overriding blocked MCC transactions by September 2015.

Estimated completion schedule of September 2015.

OIG's Position

We accept OPPM's management decision response for this recommendation.

Finding 2: OPPM Needs to Improve Oversight of Erroneous Charges

For FY 2011, USDA card holders reported to U.S. Bank that 489 transactions, totaling approximately \$379,315, charged in a foreign currency were erroneous (i.e., possibly fraudulent), which should be refunded.¹⁷ We found that U.S. Bank's Access Online system did not accurately list the resolution status of the reported erroneous transactions. Accordingly, we could not use system data to determine how many of these transactions were actually resolved. For example, 481 of the 489 reportedly erroneous transactions were mislabeled as "unresolved" in Access Online. Of these, 70 were also mislabeled as "resolved in favor of the merchant," even though funds had been recovered by the Government. These data inaccuracies occurred because OPPM did not have a procedure in place to easily match the original transactions to the corresponding refunds and did not ensure that U.S. Bank's resolution status for these transactions was being properly reflected in Access Online. As a result, USDA may not be able to tell if all money due back to the Department has been recovered.

Once individual card holders identify and report erroneous transactions to U.S. Bank, it is U.S. Bank's contractual responsibility to investigate and resolve all reportedly erroneous transactions. Additionally, OPPM's CCSC is responsible for working closely with U.S. Bank on all aspects relating to oversight of purchase card transaction management and ensuring that the funds from erroneous transactions are recovered. In its contract with USDA, U.S. Bank stated that it would work in tandem with USDA "to identify and define [USDA's] specific fraud and misuse processes and will provide support as specified." The contract states that additional fraud detection and prevention efforts include customized reports through Access Online—with the potential to develop additional reports to meet USDA's specific needs.¹⁸

While we found that agencies and their card holders were typically reporting erroneous transactions regularly and within the prescribed timelines, U.S. Bank's Access Online system did not accurately list the resolution status of reported erroneous transactions, which resulted in OPPM being unaware of the resolution status of disputed erroneous charges. In our review of U.S. Bank's Access Online system, we identified 489 transactions that had been listed as "not reviewed" or "unresolved" for more than 90 days after the transaction was reported as erroneous.¹⁹ Of these, 60 were listed as over a year old. When we informed OPPM of these transactions, OPPM seemed unaware of their status. OPPM then worked with U.S. Bank and, through a manual process, determined that, despite what Access Online listed, 481 of the 489 transactions had actually been resolved prior to our audit. Subsequently, OPPM claimed that the remaining eight transactions had been refunded. However, OIG could not confirm that all these transactions received refunds because OPPM could only provide documentation for 13 of the 489 transactions.

¹⁷ While we found a total of 2,884 transactions that were reportedly erroneous in the 6 agencies we reviewed, we have chosen to focus on transactions in a foreign currency, because the risk of these transactions being erroneous is higher. In the 6 agencies that we reviewed, we found 553 transactions that were reportedly erroneous transactions in a foreign currency, 64 of which were credits or refunds. Therefore, we looked at the 489 remaining transactions, which were erroneous charges in a foreign currency.

¹⁸ *U.S. Bank Response to Tailored Task Order Request, Vol. 1: Technical Proposal Presented to the U.S. Department of Agriculture Task Order AG-3142-S-08-0005*, March 10, 2008. For the purposes of this finding, the task order will be referred to as U.S. Bank's contract.

¹⁹ Of the 489 transactions listed as "not reviewed," 395 were also listed as "unresolved."

Access Online also labeled 70 of these 489 unresolved transactions as “resolved in favor of the merchant,” even though OPPM stated that these funds were, in fact, recovered by the Government. U.S. Bank admitted that Access Online incorrectly reports information associated with a potentially erroneous transaction prior to its being fully resolved. OPPM also acknowledged that U.S. Bank needs to improve how it labels this column and stated that it is working with the bank to resolve this issue.

According to an OPPM procurement analyst, OPPM’s CCSC is now in dialogue with U.S. Bank to determine the best practices to ensure reconciliation of all disputed and/or erroneous transactions. We recommend that OPPM work with U.S. Bank to improve the accuracy of Access Online reports, and to increase its monitoring capabilities. Monitoring the fraud status is particularly important, as OPPM is responsible for reporting card usage—including fraud and misuse—to OMB. Without these controls in place, OPPM will continue to allow transactions to go unresolved, and will not be able to determine if funds are being recovered appropriately for reportedly erroneous transactions.

Recommendation 4

Develop and implement procedures formalizing specific steps that CCSC and OPPM procurement analysts should take in the fraud resolution process. These responsibilities should include routine monitoring of Access Online reports, regular research of erroneous transaction procedures, and regular communication with U.S. Bank’s fraud unit.

Agency Response

OPPM continues an ongoing process working with U.S. Bank to develop, document, and implement reinforcement steps as needed for the fraud resolution process. OPPM provides AOs APCs, LAPCs and cardholders on-demand "Disputed and Fraudulent Transactions" training. OPPM implemented use of these documented processes that include monitoring of Access Online reports to identify, research, and resolve possible purchase card fraud.

Corrective actions were completed in November 2011.

OIG’s Position

We accept OPPM’s management decision response for this recommendation.

Recommendation 5

Work with U.S. Bank to ensure Access Online information is up to date and accurate, and increase OPPM’s monitoring capabilities.

Agency Response

OPPM continues an ongoing process (started in November 2011) of working with U.S. Bank to develop, document, and implement improvements to the fraud resolution process. OPPM and U.S. Bank (1) outlined the criteria to support the monitoring process within the Visa Intellilink tool that monitors the USDA charge card data to identify questionable transactions, and (2) produced additional Access Online reports to strengthen oversight by providing accurate and updated information.

Corrective actions were completed in November 2011.

OIG's Position

We accept OPPM's management decision response for this recommendation.

Scope and Methodology

We performed this audit to determine whether agencies' purchase card holders were following rules and regulations that govern the use of the Department's U.S. Bank purchase cards and convenience checks; to analyze the Department's purchase card and convenience check users' data for anomalies and signs of potential fraud, misuse, and abuse; and to determine whether improper payments were made. In FY 2011, the purchase card program had 16,415 purchase card holders; 4,090 of these card holders also had the authority to use convenience checks as an alternative method of payment. During FY 2011, USDA processed 1,254,355 purchase card transactions for approximately \$479 million and 73,651 convenience checks for approximately \$24.1 million.

We conducted our audit work from April 2011 through October 2014 at USDA offices located in Kansas City, Missouri, with representatives from OPPM and the six agencies.²⁰ To determine the sample of transactions and agencies we would review, we tested and assessed the system data, analyzed the U.S. Bank's Access Online system data using the Audit Command Language (ACL) queries we developed to identify potential improper payments by USDA agencies, and identified the agencies with the highest number of questionable transactions.²¹ Some queries we used to identify questionable transactions included transactions with: (1) disallowed purchases, (2) the highest dollar amounts spent, and (3) card holders acting as their own authorizing official. Based on these results, we selected six agencies for review.

- Agricultural Research Service
- Animal and Plant Health Inspection Service
- Farm Service Agency
- Forest Service
- Natural Resources Conservation Service
- Office of the Chief Information Officer

We then analyzed the six agencies' data to identify questionable transactions using the MCC categories. Some of the questionable transactions involved retailers identified as beauty and barber shops, bowling alleys, and amusement parks. We eliminated duplicate transactions (that were identified when performing multiple queries) so transactions were included only once within our analyses, which resulted in a universe of 169,054 transactions. We then randomly sampled 230 transactions (totaling about \$216,502) from the universe of 169,054 transactions (totaling \$192.2 million) to verify if these transactions were appropriate and to determine if the agencies were adequately monitoring these transactions. Our reliance on the data was limited to performing our analysis of FY 2011 data for purchase card and convenience check transactions. Our efforts focused on providing reasonable assurance that these data did not contain significant errors which would undermine the credibility of our analyses and conclusions. Before beginning our analysis of this information, we performed tests to ensure data completeness and validity by

²⁰ At the onset of the audit, we met with OCFO and OPPM to discuss the Department's purchase card and travel card data. After fieldwork began, we determined that the travel card data results would be reported to OCFO, and the purchase card program data results would be reported to OPPM. Two separate audit codes were created: (1) Audit Report 50024-0001-13 contains the review of the Department's purchase card and convenience check data, and (2) Audit Report 50024-0003-13 contains the review of the Department's travel card data.

²¹ "Questionable" denotes a group of potentially improper payments based on our analyses.

checking for duplicates, confirming completion of checklist, and determining whether transactions occurred in FY 2011. We tested the reliability of data specific to our scope by comparing physical documentation to the electronic information contained within U.S. Bank's Access Online system. We requested support for the 230 transactions and verified the results of our conclusions with the agencies.

- Specifically, we reviewed supporting documentation for the 230 potentially questionable transactions for the following:
 - Missing documentation.
 - Prohibited transactions defined in purchase and convenience check policy.
 - Transactions not following the proper approval process.
 - Transactions lacking required U.S. Bank's Access Online system information.
 - Documentation conflicting with system information.
 - Documentation with suspicious activity.
- We discussed the issues we found during our review with OPPM and agency personnel to obtain their positions and responses.

We also selected 2,884 transactions identified as erroneous by card holders in the U.S. Bank's Access Online system. We non-statistically selected our universe of erroneous transactions from the six agencies based on transactions that were associated with foreign currency that were over 90 days old. We sent 489 of these foreign erroneous transactions to OPPM to determine whether refunds to the Government were received. We requested OPPM to provide supporting documentation for 30 of the 489 transactions. To accomplish our objective, we also:

- Met with OPPM representatives in Washington, D.C.
- Reviewed Department Regulations, policies, and procedures related to purchase card use.
- Interviewed OPPM and agency officials to determine how they were monitoring purchase card use and gain an understanding of their application of purchase card program regulations, policies, and procedures.
- Evaluated reports from prior purchase card reviews.
- Obtained transaction data from U.S. Bank and analyzed it using the ACL data analysis software.

We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

ACL.....	Audit Command Language
Act.....	Government Charge Card Abuse Prevention Act of 2012
AgLearn	Agriculture Learning System
AO.....	Approving Official
APC.....	Agency Program Coordinator
CCSC	Charge Card Service Center
DCIA.....	Debt Collection Improvement Act
DR.....	Departmental Regulation
FY	Fiscal Year
LAPC	Local Agency Program Coordinator
MCC.....	Merchant Category Code
OCFO.....	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPPM	Office of Procurement and Property Management
USDA	Department of Agriculture

Exhibit A: Results of the Questionable Purchase Card and Convenience Check Transactions Sampled

The table below represents the results of the 174 questionable purchase card (88 of 100) and convenience check (86 of 130) sampled transactions totaling \$163,159.88. The transactions were identified as questionable because transactions were prohibited by OPPM's policy, were not properly approved, or lacked supporting documentation. Recovery of about \$163,160 questioned costs is not recommended due to the lack of training and guidance, and because agencies reviewed the relevance of these transactions during our audit.

Reason for Identifying Transaction as Questionable	Total Number of Each Type of Occurrence Identified Within Sample of 230 Transactions	Number of Purchase Cards Within Sample of 100 Transactions	Number of Convenience Checks Within Sample of 130 Transactions	Total Dollar Amount
Potentially Inappropriate Purchases	21	9	12	\$8,233
Inadequate Purchase Approvals: Self-Approved by the Card Holder or Processed Without Any Approval	50	20	30	\$47,044
Purchases That Did Not Contain Required Waivers to Authorize Use of Convenience Check	13	0	13	\$17,244
No Documentation for Purchase	25	7	18	\$32,693
Purchase Inadequately Documented	57	45	12	\$45,411
Access Online System Did Not Contain Adequate Product Descriptions	8	7	1	\$12,534
Total	174			\$163,160*

* Due to rounding, the total of the transactions containing potential misuse is listed as \$163,160.

**USDA'S
OFFICE OF PROCUREMENT AND
PROPERTY MANAGEMENT'S
RESPONSE TO AUDIT REPORT**



**United States
Department of
Agriculture**

Office of the
Assistant Secretary
for Administration

Office of
Procurement
and Property
Management

300 7th Street
Southwest
Room 302
Reporters Building

Washington, DC
20024-9300

January 30, 2015

TO: Gil H. Harden
Assistant Inspector General for Audit
Office of Inspector General

FROM: Lisa M. Wilusz /s/
Director

SUBJECT: U. S. Department of Agriculture's (USDA) Review of the
Department's U.S. Bank Purchase Card and Convenience
Check Data, Audit No. 50024-0001-13

The attached is the Office of Procurement and Property Management's response to the audit recommendations in the Draft Audit Report No. 50024-0001-13.

If you have any questions or need additional information, please contact our office at (202) 720-9448 or have a member of your staff contact Phil Johnson at (202) 401-2225.

Attachment

RECOMMENDATION 1

Continue efforts to develop and implement standardized training materials for new and active approving officials (AOs), agency program coordinators (APCs), local agency program coordinators (LAPCs), and card holders across all USDA agencies and verify that the training is completed.

Management Response:

Current Training

Charge Card Service Center (CCSC), Procurement Systems Division (PSD), Office of Procurement and Property Management (OPPM) has and continues to offer more than seven standardized training requirements and materials for Approving Officials (AOs), Agency Program Coordinator (APCs), Local Agency Program Coordinator (LAPCs) and cardholders (CHs).

This training is based on Office of Management and Budget (OMB) requirements, as well as applies to both new and existing AOs, APCs, LAPCs and CHs. The training materials are available on demand through CCSC webpage; on demand through the purchase card provider, U.S. Bank; and, at a minimum, annually through CCSC-offered webinars. Access Online Training Modules and Government Purchase Card Ethics are examples of offered training.

To ensure compliance with OMB and CCSC training requirements, CCSC electronically collects and stores training certificates from AOs, APCs, LAPCs and CHs.

Future Training

CCSC and the AgLearn team are working jointly to automate tracking training requirements. CCSC and AgLearn team will achieve the automated tracking by offering in AgLearn the required annual renewals of CCSC-required and agency-required trainings (also called refresher training), as well as capturing AOs, APCs, LAPCs and CHs who have completed the training(s).

OPPM will develop new training, as well as revise existing training as required in the future.

Figure 1 outlines the minimal refresher training requirements for tracking in AgLearn.

Figure 1: Refresher Training Matrix

Exempt	Cardholder Training	Approving Official Training	Ethics Training
APC/LAPC	Every Three Years	Every Three Years	Every Three Years
AOs with a card	Every Year	Every Year	Every Year
AOs without a card		Every Year	Every Year
Participants (without a card and no warrant)	Every Year		Every Year
Non-warranted Cardholders	Every Year		Every Year
Warranted Cardholders	Every Two Years		Every Two Years

Date Corrective Action Will Be Completed:

- Future Training: September 2015

Responsible Organization: Office of Procurement and Property Management

RECOMMENDATION 2

Develop and implement processes to validate that agency AOs are reviewing transactions monthly, and LAPCs are performing quarterly reviews of card holder transactions by periodically sampling the reviews. Also, require the LAPC to certify that any identified issues were addressed.

Management Response:

OPPM has documented processes and reports to validate AOs and LAPCs activities. The AO Purchase Card Program Guide outlines the activities (including the Final Approval Report) and its frequency for AOs to “final approve” transactions appearing in U.S. Bank’s Access Online (AXOL).

The Coordinators Purchase Card Program Guide outlines the activities and its frequency for LAPCs to perform management and oversight (i.e., APC Certification of LAPC Quarterly Review, LAPC Quarterly Review Checklist). OPPM will also develop a process for LAPCs to certify that identified transaction issues have been addressed.

Date Corrective Action Will Be Completed:

- LAPCs Certification Process: September 2015

Responsible Organization: Office of Procurement and Property Management

RECOMMENDATION 3

Develop and implement comprehensive guidance defining which merchant category codes (MCC) are blocked. This guidance should require agencies to document a justification when overriding transactions in blocked MCC categories.

Management Response:

OPPM conducts monthly reviews of cardholder transactions. CCSC identifies potential fraud, misuse and abuse for both purchase charge cards and convenience checks through the monthly Questionable Transaction Report (QTR).

Each month, APCs receive the updated QTR along with explanation of identified items and guidance on responding with transaction details within 15 days of receiving the QTR.

OPPM will issue guidance that will require agencies to document a justification when overriding transactions in blocked MCC categories.

Date Corrective Action Will Be Completed:

- MCC Override Guidance: September 2015

Responsible Organization: Office of Procurement and Property Management

RECOMMENDATION 4

Develop and implement procedures formalizing specific steps that the Charge Card Service Center (CCSC) and OPPM procurement analysts should take in the fraud resolution process. These responsibilities should include routine monitoring of Access Online reports, regular research of erroneous transaction procedures, and regular communication with U.S. Bank's fraud unit.

Management Response:

Existing Process

OPPM has implemented and continues to use documented processes to identify and to resolve possible purchase card fraud. This process includes the following:

- APC's biweekly review of U.S. Bank Fraud Unit's Fraud Report;
- APC's investigation and potential resolution of issues in the biweekly report; and
- CCSC's monthly follow up with APCs regarding outstanding issues.

In addition, OPPM provides AOs APCs, LAPCs and cardholders with on-demand “Disputed and Fraudulent Transactions” training for the process for following disputed and fraudulent transactions.

Future Process

OPPM will continue to work with U.S. Bank to develop, document and implement any additional formalized steps for the fraud resolution process.

Date Corrective Action Will Be Completed:

- Existing Process: Completed November 2011
- Future Process: Ongoing coordination with U.S. Bank

Responsible Organization: Office of Procurement and Property Management

RECOMMENDATION 5

Work with U.S. Bank to ensure Access Online information is up to date and accurate, and increase OPPM’s monitoring capabilities.

Management Response:

With U.S. Bank’s assistance, OPPM outlined the 20-plus criteria to support the monitoring process. The Visa Intellilink tool uses the criteria to help OPPM monitor and identify questionable transactions.

OPPM, in coordination with U.S. Bank, will continue to produce additional reports to bolster oversight and to ensure that Access Online (AXOL) provides accurate and updated information.

Date Corrective Action Will Be Completed:

- Completed: Ongoing

Responsible Organization: Office of Procurement and Property Management

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