



U.S. Department of the Interior Office of Inspector General

Advisory Report

DEPARTMENT OF THE INTERIOR *INTEGRATED CHARGE CARD PROGRAM*





United States Department of the Interior

Office of Inspector General
Washington, D.C. 20240

December 20, 2001

Memorandum

To: Assistant Secretary for Policy, Management and Budget

From: Earl E. Devaney
Inspector GeneralSubject: Improvements Needed in General Controls Over the Integrated Charge Card Program,
Department of the Interior (No. 2002-I-0011)

This Advisory Report presents the results of our review of the Department's Purchase Charge Card Program. The objective of the review was to determine whether the controls presently in place over the charge card program were sufficient to minimize the risk of improper use of the cards. Based on our review, we concluded that significant improvements in the control environment are needed.

As detailed in the attached report, we made 11 recommendations to correct the identified weaknesses. Based on the Department's and the Bureau of Land Management's November 26, 2001 response (see Appendix 3) to the draft report, we consider Recommendations 1, 2, 3, 4, 5, 6, 7, 8 and 10 resolved but not implemented and Recommendation 9 resolved and implemented. We need additional information on Recommendation 11.

Section 5(a) of the Inspector General Act (5 U.S.C. App. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress.

Please respond to this report by January 25, 2002. The response should provide the information requested in Appendix 4. If you have any questions regarding this report, please call Ms. Anne Richards, Central Region Audit Manager, at (303) 236-9243.

EXECUTIVE SUMMARY

This report presents the results of our review of the controls over the micro-purchase portion of the Department of the Interior's charge card program. We have scheduled a separate audit in fiscal year 2002 to examine the controls over the travel portion of the program.

RESULTS IN BRIEF

The Department of the Interior does not have an adequate control environment for its purchase charge card program. Although 41 percent of the Department's employees have purchase authority on their charge cards, the Department has not established an effective process to review and validate purchase transactions. Further, the Department does not have sufficient processes in place to monitor and adjust credit limits or to deactivate ex-employees' cards. As a result, improper transactions went undetected. The effect of the improper activity includes the loss of monetary resources, the cost of administering appropriate disciplinary action, and the potential loss of confidence in the integrity of the operations of the Department of the Interior.

RECOMMENDATIONS AND MANAGEMENT ACTIONS

The Department needs to ensure that:

- Only an appropriate number of employees have purchase authority on their charge cards.
- Credit limits are periodically reviewed and adjusted.
- Appropriate reviewing officials are designated and trained.
- Credit card receipts and invoices are maintained.
- Receipts and invoices are reviewed for appropriateness.
- Receipts and invoices are reconciled with the monthly bank statements.
- Ex-employees' charge card accounts are deactivated.

The Department has agreed that more human controls are needed in its charge card program to strengthen the overall control environment.

The Department has already taken some corrective actions including issuing revised draft guidance and plans to conduct training for reviewing officials. In addition, individual Bureaus have taken action to address specific Bureau issues, including appropriate disciplinary action, training, and steps to hold reviewing officials accountable. However, much more needs to be done to restore confidence in the Department's ability to effectively control charge card activity.

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INTRODUCTION

The Department's Integrated Charge Card Program (the Program) ¹ was designed, in part, to streamline the small purchasing process, reduce the costs of processing procurement transactions, and provide various field offices with greater flexibility in obtaining needed services and supplies. In order to effect these benefits and flexibilities, rigid procurement controls were eased or eliminated. The Department's use of the Program has expanded steadily. As of June 30, 2001 approximately 41 percent of Department employees have purchase card authority and about 81 percent have travel card authority.

Increased flexibilities and use of the Program without a sound control environment has already led to increased risk of waste and abuse. The risk of waste and abuse results from the combination of motive and opportunity. While the Department cannot eliminate the motive, it is responsible for instituting a strong control environment to limit the opportunity. We designed this review to evaluate the control environment for the Department's purchase card segment of the Integrated Charge Card Program. We will evaluate the travel card segment in a separate audit.

This report presents the results of our review. The objective of the review was to determine whether controls over the Program were sufficient to minimize the risk that the cards would be improperly used and we concluded that significant improvements are needed in the control environment.

BACKGROUND

In May 1998, a contract was awarded to NationsBank, now the Bank of America, to provide a charge card program to the Department. The Department's charge card program is integrated, meaning that a single card can be used for three different lines of credit. It can be used for micro-purchases, travel expenses, and fueling government vehicles.

As of July 7, 2000 the Department had issued 51,500 cards to its employees. Details about the number of cardholders with access to the purchase and travel business lines are in Appendix 1.

Agency/Organization Program Coordinators (Program Coordinators) determine each business line authority by an option set. Option sets provide authority for, or restrict, transactions to certain categories of merchants.

¹The integrated charge card program includes the use of the charge card or checks on the charge card account for purchases of supplies and services for government programs, as well as the use of the charge card for travel and fleet expenses. The control environment for the use of checks is the same as regular card transactions.

The Program includes a centralized billing process for the travel and purchase business lines. Purchase business line transactions are paid directly by the Bureaus. The Department paid \$675,001,599 on 2,057,661 purchase transactions during fiscal years 1999 and 2000. Included in the small purchase transactions are convenience check transactions, which are simply checks the cardholder may write directly against the agency's account. Convenience checks are used if a vendor does not accept the charge card. In those fiscal years Departmental employees wrote 87,217 checks totaling \$57,870,357 (4 percent of small purchase transactions).

The goals of the Program are to improve mission support, streamline and standardize operations, increase card use by maximizing card acceptance for all types of transactions, reduce administrative costs, and move transaction processing to the private sector, in this case, the Bank.

The Program also improves the efficiency of the payment process through the Smartpay Program. The Smartpay Program allows Bureaus to make payment for centrally billed charges on a daily basis. Approximately \$400 million was paid through Smartpay in 1999, as part of a 40 percent annual growth rate trend in recent years. The Department predicts this growth rate will continue for the next 5 years, expecting the card to be used for over \$2 billion by the year 2004.

With the introduction of the Integrated Charge Card Program, the Department developed the "United States Department of the Interior Integrated Charge Program Guidelines." These Guidelines were issued in May 2000 to establish policy and procedures for use of the charge card and required Bureaus to develop Bureau-specific procedures necessary to implement Department-wide policies. This Program is also subject to Federal Travel Regulations and Federal Acquisition Regulations.

The Bank's web-based desktop management tool, Electronic Account Government Ledger System (EAGLS), allows Department management to perform such functions as activating and deactivating business lines to employee's cards and reallocating transactions to certain funding sources.

SCOPE AND METHODOLOGY

Our review was conducted at Department headquarters, the Bureau of Land Management (BLM), the National Park Service (NPS), the Bureau of Reclamation (BOR), and the Bureau of Indian Affairs (BIA). We used fiscal year 1999 and 2000 data from the EAGLS system to make our sample selections; however, we also tested current practices and transactions. We conducted detailed testing at BIA and

BLM. Our testing at BOR and NPS was more limited. We limited our testing to transactions from the purchase business line by non-warranted individuals. We judgmentally selected our samples based on the amount of charge card activity either by the number of transactions or the dollar volume. Once we selected individual cardholders at a location, we expanded our work to include other cardholders at the same location. We also used transactional profiling such as identifying multiple purchases from the same vendor for the same amount and paid by convenience check. Our scope was somewhat limited because of the condition of the records. This deficiency is addressed in the Finding Section of this report. Because of the testing methods adopted and the fact that many records were missing, we cannot project the results of our finding beyond the particular functions reviewed.

RESULTS OF REVIEW

The Department and its Bureaus do not have sufficient controls in place to minimize abuse of the charge card.² Specifically, management officials within the Department did not ensure that:

- Only an appropriate number of employees have purchase authority on their charge cards.
- Credit limits are periodically reviewed and adjusted.
- Appropriate reviewing officials are designated and trained.
- Credit card receipts and invoices are maintained.
- Receipts and invoices are reviewed for appropriateness.
- Ex-employees' charge card accounts are deactivated.

Further, the extension of purchase card authority to 41 percent of the Department's employees magnifies the weak control environment and increases the chances of abuse and waste. The effect includes the direct loss of limited program resources; the cost of administering appropriate disciplinary action, including prosecution; and the potential loss of confidence in the integrity of the Department of the Interior.

EMPLOYEES WITH PURCHASE AUTHORITY

The Department needs to ensure the control environment is adequate for the size of the program.

Approximately 41 percent of the Department's employees have purchase authority. This represents a 47 percent *increase* since 1998 (see Appendix 1). The Department increased the number of cardholders to meet the Integrated Charge Card Program objectives, including streamlining the small purchase process and increasing field offices' ability to quickly and easily obtain services and supplies.

The Department and the Bureaus need to conduct an analysis of the number of cards needed to meet these goals while maintaining necessary and adequate controls. **Because there is not an adequate control environment, the Department should evaluate and adjust the number of employees with purchase cards to the minimum needed for efficient operations.** Once the control environment is sound, the full benefits of the program can be obtained.

² Abuse is defined as any situation where the employee received personal gain from a transaction that was centrally billed and paid for by the government, thereby resulting in a loss to the government.

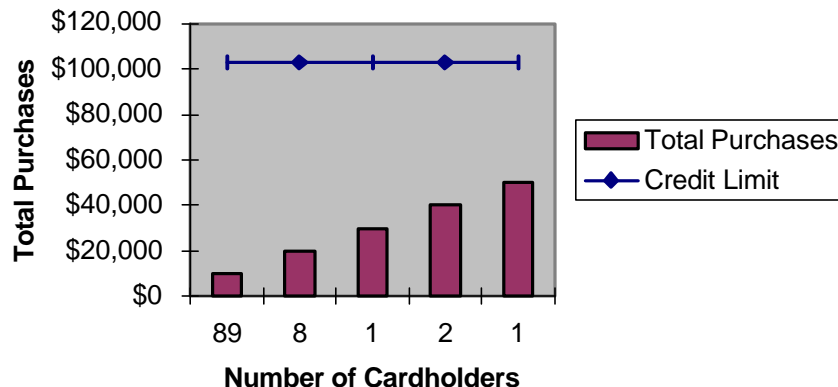
CREDIT LIMITS Too High

Credit limits should be periodically adjusted based on purchase activity and need.

Our analysis of credit limits concluded that the limits should be reduced. At the inception of the Program, the Department set credit limits using an estimate of employee spending by charge card activity type. However, since then, the individual Bureaus have been responsible for determining appropriate credit limits. Our review found a lack of methodology for establishing credit limits for the various activity types. BLM conducted an informal review of credit limits based on estimations of the amount of credit necessary for the cardholder. However, a formal analysis of actual activity versus the credit limit has not been done. BOR has increased credit limits for the travel activity, but has not analyzed the credit limits for purchase activity.

The following chart shows total purchases for a period of 2 months for 101 cardholders with \$103,000 in purchase authority confirming that credit limits are too high.

**Comparison of Cardholders' Total Purchases
to Their Available Credit Limit**



The chart shows that the majority of the cardholders (89 percent) had total purchases of \$10,000 or less for the 2-month period. The gap between the credit limit (\$103,000) and the actual activity on the card (maximum of \$50,000) represents an area of vulnerability for the Department to incur waste and abuse. **We recommend that the individual Bureaus annually conduct an analysis of the purchase totals for the past year to determine a reasonable credit limit for the purchase authority cardholders and adjust credit limits appropriately.**

INADEQUATE REVIEWS

The Department needs to ensure reviewing officials adequately review all charge card transactions.

Although the Department correctly identified the transaction review as the critical element of the control environment, we concluded that the control was inadequately implemented. Of the 53 reviewing officials whose work we evaluated, 42 (79 percent) were not performing adequate reviews, (an adequate review is one in which the reviewing official, on a monthly basis, reconciled invoices and receipts to the charge card statements to ensure that all transactions were legitimate and necessary).

We found that reviewing officials looking at charge card transactions performed these reviews on many different levels – some were done inadequately or in a perfunctory matter, some were not done on a regular basis, and some were not done at all. Consequently, this primary control was generally ineffective, which resulted in a 13 percent abuse rate (in those records that were adequate for review) for \$19,714 in our sample. We identified several reviewing officials who had signed off on monthly statements indicating completed reviews where supporting documentation was not available. Furthermore, we found fraudulent transactions that would have been detected if the reviewing officials had conducted adequate reviews. For example, an employee created false invoices to charge the government monthly rent for electronic retrieval file cabinets. Electronic retrieval file cabinets are generally large and extremely noticeable, yet the reviewing official did not notice that the cabinets were not on the office premises. The employee would then use a convenience check to pay the amount identified on the invoice. The check however, was going to a mortgage company to pay the individual's monthly mortgage payment. These fraudulent activities continued undetected for almost two years, although for most of that period the monthly statements were annotated as reviewed (authorized) by the reviewing official.

Other schemes we detected were:

- Fraudulent invoices made up to pay monthly rent.
- Credit cards used to pay monthly phone bills.
- Money orders from Western Union used to pay monthly expenses.
- Fraudulent invoices used to convert cash advances from individually billed to centrally billed.
- Using the credit card to purchase household furnishings.
- Using the credit card to purchase jewelry.
- Using the credit card to pay for repairs to personal vehicles.

We attribute the inadequate reviews to the improper selection and training of reviewing officials, the lack of detailed guidance for

conducting reviews and for holding reviewing officials accountable for inadequate reviews, and an over reliance on the on-line system to complete reviews. **Because this is the only significant control in the charge card program, we believe that the importance of the procedures must be made clear to the reviewing officials through increased accountability.**

REVIEWING OFFICIALS NOT ALWAYS PROPERLY SELECTED OR TRAINED

The Department needs to ensure appropriate reviewing officials are properly selected and trained.

Reviewing officials were not always properly selected or trained. Neither the Department nor individual Bureaus had established adequate criteria to identify appropriate reviewing officials, or a methodology to formally designate reviewing officials. Although the Department designed and implemented training for purchase cardholders, there was no training available for reviewing officials' that delineated their responsibilities.

Selection and Designation of Reviewing Officials. We identified 30 cardholders (28 percent of the 107 reviewed) who either did not have a reviewing official or the reviewing official was not in a position to determine if charges were reasonable and necessary. Some reviewing officials were not even in the same program area as the charge cardholders and were not in a position to know if purchases were reasonable and necessary. We also found that there was insufficient independence with some reviewing officials or they were not of sufficient grade to challenge the cardholder if a transaction explanation was necessary. Further, not all reviewing officials were co-located with the charge cardholders, causing problems with access to documentation to be reviewed.

The Department's guidance did not specify whom reviewing officials would be, and the individual Bureau's supplemental guidance, if available, was not sufficient to ensure appropriate selection of reviewing officials. **In short, all cardholders should have a reviewing official who is sufficiently knowledgeable about program needs and organizationally able to adequately perform reviews of charge card transactions.**

The Department's guidance failed to provide for formal designation of the reviewing officials. In fact, some reviewing officials were not aware of their responsibilities. Because this is so critical, we briefed the Department on this issue and it is revising its guidance on how to select and designate reviewing officials.

Training of Reviewing Officials. Although the Department provided training to individual charge cardholders, it did not design or provide training to reviewing officials. Several reviewing officials told us that they did not know how to conduct a review of charge card

transactions, including an understanding of how and why to review supporting documentation. We found that many reviewing officials who had not received training were not performing adequate reviews. Again, based on information presented in our briefings, the Department is now designing training for designated reviewing officials.

**INADEQUATE
DEPARTMENTAL AND
BUREAU GUIDANCE**

Clarifying adequate review procedures should strengthen departmental guidance.

The Department needs to issue detailed guidance regarding how these reviews should be conducted. The guidance generated by the Department was general in nature and left the responsibility to develop specific requirements on the performance of charge card transaction reviews to the various agencies. Unfortunately, three of the four Bureaus reviewed, with the exception of BLM, have been slow to develop specific details. (See Appendix 2 for our analysis of available guidance.) Consequently, there is insufficient detailed guidance available to assist reviewing officials in conducting adequate reviews. The available guidance did not contain specific language clarifying that a review of charge card transactions must include reconciling the receipts and invoices to the statements and analyzing the charges to ensure that all transactions are legitimate.

**RELIANCE ON THE
ON-LINE INFORMATION
SYSTEM**

A manual review of charge card receipts and invoices to monthly statements is necessary.

The Department had not established detailed guidance describing a manual, paper review of charge card transactions because it believed that such detailed guidance should come from the individual Bureaus. The Department also did not stress the manual transaction reviews because it believed that the reviewing officials would be able to use the Bank of America's on-line information system more effectively. Although the system is capable of recording items purchased, most vendors (approximately 90 percent) do not provide this detailed information to the Bank. Thus, the Bank's on-line information system is useful only to the point of information provided by the vendor. Therefore, reviewing officials must rely on paper receipts and invoices being matched to the monthly statements.

**HOLDING REVIEWING
OFFICIALS
ACCOUNTABLE**

Reviewing officials should be held accountable for conducting adequate timely reviews of purchase card transactions.

The integrity of the charge card program is a Department-wide concern, not just an individual Bureau issue. Accordingly, we believe that the Department's guidance must contain specific language that requires reviewing officials to reconcile necessary invoices and receipts to the monthly statements to ensure that all transactions are for legitimate government purposes. Based on our recommendations, the Department is currently revising its guidance to clarify the types and frequencies of required reviews.

The Department and the individual Bureaus have not established a mechanism or criteria to hold reviewing officials accountable for adequate reviews. As the only significant control in the charge card

program, adequate timely reviews are essential to detect and deter unauthorized purchases. Once reviewing officials have been formally designated, the evaluation of their job performance should include whether they completed necessary, adequate reviews of charge card transactions in a timely manner. Under current guidelines, employees who misuse the purchase card face disciplinary action. If a reviewing official fails to detect obvious misuse because of perfunctory or inadequate reviews, the reviewing official should also be subject to appropriate disciplinary action.

UNACCEPTABLE RECORD KEEPING

The Department needs to ensure cardholders maintain adequate records.

We found unacceptable record keeping practices for charge card transaction receipts and invoices. Charge cardholders should maintain monthly statements and all supporting receipts and invoices for a minimum of three years. From our sample of 107 cardholders' transactions, 68 cardholders (64 percent) had inadequate or missing documentation. In the worst case, a cardholder could provide only three monthly statements out of the 24 under review and could not produce supporting invoices or receipts for any of the months.

We did note one record keeping deficiency related specifically to BLM. At the BLM offices we visited, they were using a central record keeping system where the individual charge cardholders turned their documentation over to a designated custodian. When records were retrieved from the custodian and some of the records were missing, we could not establish accountability for the loss of the records. For example, in one case where incomplete records were retrieved from a custodian, the custodian stated that all "available" records were provided to the auditors; however, the cardholder asserted that all records were present when they were turned over to the custodian.

Departmental guidance requires cardholders to maintain their business line transaction records for three years. However, the guidance does not include a detailed description of an adequate record-keeping system. **We believe that the guidance should be enhanced by providing detailed descriptions on how to maintain the records and by providing additional details in the cardholder training regarding records maintenance.** We did find some cardholders who maintained very good records. Those records generally identified transactions on the monthly statement by sequentially numbering each transaction. Filed with the statements were the supporting documents identified by the same number assigned to the transaction. This procedure allowed quick and easy review of specific transactions. We believe these processes could be used to enhance the guidance and the cardholder training. We briefed the Department on this issue, and based on the information provided, the Department is revising its guidance on record keeping for the Program.

EX-EMPLOYEES STILL HAVE ACTIVE CHARGE CARD ACCOUNTS

The Department needs to ensure ex-employees' charge card accounts are deactivated.

Our analysis showed that many employees who are no longer working for the Department of the Interior may still have active charge card accounts. We analyzed the accounts of employees who left the Department between October 1, 1999 and July 12, 2001 using a statistical sampling process. Based on our results, approximately 15 percent, or 1,116 ex-employees still have active charge card accounts. The Program Coordinators responsible for the active accounts identified in our sample could not explain why the accounts were still active. Although we did not find any activity on the accounts of the ex-employees we sampled, the active accounts represent a vulnerability to waste and abuse by ex-employees. This is another area that is made more difficult to manage because of the number of employees who have purchase card authority. If there were fewer purchase cardholders, offices would be required to request a replacement purchase cardholder for the departed employee, because Program Coordinators would be aware of that cardholder's departure and make the necessary deactivations. However, since most offices have multiple purchase cardholders, the agency Program Coordinators may not always be contacted for an additional designee.

We provided information about ex-employees to the pertinent Bureaus and they have taken action to deactivate those accounts identified in our sample. **However, the Department and the Bureaus need to establish a process to ensure that employees' accounts are deactivated when their employment is ended.**

OTHER MATTERS

During the review we identified other issues that we brought to management's attention.

Procedures Not Adequate to Ensure Accountable Property is Properly Recorded

We identified several instances where the charge cards were used to buy equipment or property, but the property officer was not notified and the equipment or property was not recorded on the property records. This occurred because the new purchasing function was not tied in directly to the financial management function. This problem is made more difficult to manage because of the large number of Department employees who have purchase card authority. Management must evaluate and strengthen the procedures to notify accountable property officers when such equipment or property is purchased. We briefed agency officials and they indicated that they would take action to address the problem.

Payment of Taxes

We identified numerous purchases in two states, Colorado and South Dakota, where the government paid sales taxes on purchases that should have been tax exempt. Although the individual cards are annotated with the federal government's tax-exempt number, the cardholders were either not aware of the government's tax-exempt status or did not ask the merchants for exemption from state sales tax. Because the state tax codes vary, the Bureaus need to identify for their employees the states where the tax-exempt status should be requested.

**Contracting Officers
Making Contract
Payments by
Convenience Check**

We identified instances where contracting officers were making payments to contractors using convenience checks. This process violated the segregation of duties regarding the certifying and disbursing functions. When we notified them, agency officials took immediate action to have that practice discontinued.

**Cash Advances from
Gambling Operations**

We identified employees who were using their charge cards to obtain cash, through the use of wire transfers, from gambling casinos sometimes in the thousands of dollars. These transactions were centrally billed and were not detected by the reviewing officials. The Department and the Bank took immediate action to prevent those types of transactions from occurring.

Questionable Charges

We identified several uses of the charge cards that appeared to be questionable in nature. That is, while they were not considered abuse, they were questionable as to necessity and included:

- Honorariums
- Gift Certificates
- Reimbursements to employees
- Christmas decorations
- Meals at awards ceremonies

We briefed Department and Bureau officials on these issues and the officials agreed to take appropriate action to reinforce cardholder responsibility regarding appropriate use.

RECOMMENDATIONS

We recommend that the Director, Office of Acquisition and Property Management:

1. Require that the Bureaus annually evaluate and adjust the number of cardholders with purchase authority to the minimum number needed for efficient operations.
2. Require that the Bureaus annually evaluate and adjust credit limits for charge cardholders.
3. Establish guidance to identify appropriate reviewing officials. Reviewing officials should be in a position to determine if transactions are a reasonable and necessary program expense. Reviewing officials should also be sufficiently independent and of sufficient rank to question the cardholder when additional information is needed about specific transactions.
4. Require that reviewing officials be formally designated.
5. Establish specific procedures for record keeping, including a detailed description of what documents are to be maintained and how they are to be organized.
6. Provide formal training to reviewing officials on the importance of conducting reviews and include specific instruction on how to reconcile statement activity
7. Establish comprehensive policies and procedures for the review and reconciliation of cardholder transactions, recognizing that this is a paper intensive process.
8. Require that reviewing officials be held accountable for performing adequate, timely reviews as part of their job performance and hold reviewing officials accountable for cardholder abuse when inadequate reviews were a contributing factor.
9. Require that the Bureaus establish procedures to identify and deactivate charge card accounts for employees leaving the Department.
10. Continue cardholder training with emphasis on taxes, procedures to ensure that accountable property gets properly recorded, and record keeping requirements.

We also recommend that the Director, Bureau of Land Management:

11. Require that cardholders keep and maintain their own records or establish a policy that would hold reviewing officials accountable for incomplete records transferred to a central filing system.

**Department and
BLM Response
and OIG Reply**

Based on the November 26, 2001 response (Appendix 3) from the Department and the Bureau of Land Management, we consider Recommendations 1, 2, 3, 4, 5, 6, 7, 8 and 10 resolved but not implemented and Recommendation 9 resolved and implemented. We need additional information on Recommendation 11.

Although the response did not indicate full concurrence with Recommendations 1 and 2, we believe that the response provided sufficient information or acceptable alternative actions for us to consider the recommendations resolved.

The Department did not concur with Recommendation 8, in which we recommended holding Reviewing Officials accountable for cardholder abuse when inadequate reviews were a contributing factor. The Office of Acquisition and Property Management, which prepared the Department's response, replied that disciplinary actions require the involvement of personnel offices and union officials, who are generally outside its control and cited this as a limiting factor to full concurrence and implementation. However, the Department stated that specific language would be incorporated into the proposed Appointment as an Integrated Charge Card Approving Official memorandum, which would state that approving officials could face disciplinary action for inadequate reviews. Based on the proposed language to be included in the "Appointment Memorandum" we consider Recommendation 8 to be resolved but not implemented.

The Department questioned the need for Recommendation 9, as it believes that adequate guidance was in place. However, the response stated that procedures have been developed with the National Business Center to identify personnel actions relating to cardholders. We believe that the procedures developed satisfy the intent of the recommendation and therefore, we consider Recommendation 9 resolved and implemented.

The Bureau of Land Management did not concur with Recommendation 11 to require cardholders to keep and maintain their own records. The BLM proposed alternative actions including a manual revision that would incorporate the language necessary to establish accountability. We accept that the BLM's proposed actions will resolve the issue, if implemented. Accordingly, we are asking that the BLM identify a responsible official and target date for the revision, which includes the language establishing accountability for record keeping.

DETAILS REGARDING THE NUMBER OF CARDHOLDERS

Number of Cardholders as of June 30, 2001

As of June 30, 2001 the Department had about 55,000 accounts with travel authority and about 28,000 accounts with purchase authority. These numbers, however, cannot simply be added together to equal the total number of cardholders for the Department because a single cardholder with multiple business lines (travel and purchase) would be double-counted. In addition to cards issued to individual cardholders, charge cards for the fleet line of business authority have been issued to be available in government vehicles. Also, about 5,000 cards have been issued for uniform purchases for BLM; these cards are not issued to individual employees.

The tables below show the significant increase in the numbers of purchase cardholders and travel cardholders for the past three years.

Increase in the Number of Cardholders March 1998 through June 2001

PERCENT INCREASE IN THE NUMBER OF CARDHOLDERS

Card Type	Cardholders* as of			% Increase From 1998
	03/24/98	07/07/00	06/30/01	
Travel	41,000	48,000	55,000	34%
Purchase	19,000	21,500	28,000	47%

PERCENT OF CARDHOLDERS COMPARED TO DOI STAFF

Year	No. of FTE	% with Purchase	% with Travel
1998	66,501	29%	62%
2000	67,274	32%	71%
2001	68,000	41%	81%

* Approximate number of cardholders rounded to the nearest thousand.

ANALYSIS OF CONTROLS, DOI, BLM, AND BOR GUIDELINES

We reviewed the May 2000 DOI Guidelines for the charge card program, as well as the Revised Draft Guidelines prepared in April 2001, to determine the adequacy of the control environment. We also reviewed guidelines developed and published by the BLM and the BOR.

Recommended Control: The reviewing official needs to be responsible for reconciling invoices and receipts to cardholder statements to ensure that purchases are reasonable and necessary government expenses.	
May 2000 Guidelines	Analysis
<p>1. The guidelines define the Roles and Responsibilities of the reviewing official by stating that a reviewing official is expected to periodically review cardholder transactions on-line using EAGLS to ensure that charge cards are being used only for their intended official purposes.</p> <p>2. The guidelines require Bureaus/Offices to develop Bureau-specific operational procedures to implement management controls for card use, including scheduled reviews of the transaction records, frequency of reviews, and review methodology.</p> <p>3. The guidelines state that, “In case of questions regarding particular transactions, EAGLS information should be supplemented by a review of transaction receipts.”</p> <p>4. No guidance that the reviewing official needs to sign the statement upon completion of review to attest that charges listed on the statement of account are reasonable and necessary government expenses.</p>	<p>1. The term “periodically review” is vague and should specify a monthly review. The statement also requires only an on-line review using EAGLS and does not state that the reviewing official is responsible for reconciling cardholder statements to the invoices and receipts to determine if charges are reasonable and necessary.</p> <p>2. The credit card program would be better served if the Department guidelines stated that a monthly review is to be performed for all cardholders and the reviewing official is responsible for reconciling receipts and invoices to the cardholder statement to ensure that charges are reasonable and necessary.</p> <p>3. The guidelines do not identify what kinds of questions need to be answered (such as, what was purchased, how many were purchased, and was sales tax paid on the purchase). In addition, the guidelines imply that a review of transaction receipts would only be required for the minority of transactions, when in fact EAGLS does not provide enough information for an adequate review on 90 percent of the transactions.</p> <p>4. The guidelines should require that the reviewing official sign the statement upon completion of review to attest that charges listed on the statement of account are reasonable and necessary government expenses.</p>
Draft April 2001 Guidelines	Analysis
<p>1. The guidelines define the Roles and Responsibilities of the reviewing official as “responsible for oversight and monitoring of designated cardholders’ compliance with applicable laws, regulations, and procedures.” In addition, the guidelines refer to a checklist of minimum items to review which includes matching the receipt amount to the amount on the statement of account; documenting charges on the statement of account, such as original charge slip, original register receipt, original packing list, or shipping document; signatures of cardholder and reviewing officials are on the statement of account.</p>	<p>1. The Roles and Responsibilities of the reviewing officials do not specify that cardholder reviews should be performed on a monthly basis. In addition, the guidelines do not clearly state that the purpose of the review is to determine that charges are reasonable and necessary government expenses. Finally, the guidelines should specify that the reviewing official’s signature on the statement of account is attestation that charges are reasonable and necessary government expenses.</p>

BLM Guidelines	Analysis
<p>1. BLM guidelines list the responsibilities of the reviewing official as: review reconciled statements and receipts, ensure that centrally billed items are not included on a travel voucher, assure that cardholders reconcile their accounts within five business days of receiving their statements, validate cardholder statements within five business days of receiving them from the cardholders, take appropriate action if a cardholder misuses the card, and review exception reports.</p> <p>2. BLM guidelines state, “your supervisor must sign off on your Bank statement indicating that they have reviewed your statement and approved all transactions.”</p>	<p>1. The guidelines recognize that the reviewing official needs to review receipts in conjunction with the cardholders’ statements. The guidelines are vague because the statements “review reconciled statements” and “validate cardholder statements” do not explain what actions the reviewing official is expected to take.</p> <p>2. The guidelines clearly state that the reviewing official needs to sign the statement to attest that charges listed on the statement of account are reasonable and necessary government expenses. The statement, however, is not given to the reviewing officials, but is included in the instructions to the cardholder.</p>
BOR Guidelines	Analysis
<p>1. “Approving Officials are expected to review cardholder transactions monthly on-line using the EAGLS system, and through a series of standard and ad hoc exception reports, to ensure that charge cards are being used only for their intended, official purposes.”</p> <p>2. There is no guidance that the reviewing official needs to sign the statement upon completion of the review to attest that charges listed on the statement of account are reasonable and necessary government expenses.</p>	<p>1. The guidelines do a good job of specifying that the review needs to be done on a monthly basis and that the reviewing official needs to ensure that the charges are for “official purposes.” The guidelines rely solely on a review being done using the EAGLS system. Since EAGLS does not provide transaction detail required to do an adequate review, the guidelines need to specify that in addition to using EAGLS, a reconciliation of the receipts to the cardholder statement is required to ensure that purchases are reasonable and necessary government expenses.</p> <p>2. The guidelines should state that the reviewing official needs to sign the statement upon completion of the review to attest that charges listed on the statement of account are reasonable and necessary government expenses.</p>
<p>Recommended Control: The reviewing official needs to be in a position to determine reasonable and necessary expenses of the cardholder.</p>	
May 2000 Guidelines	Analysis
<p>There is no mention that reviewing officials need any program or organizational relationship to the cardholder.</p>	<p>The guidelines should state that the reviewing official needs to have the functional knowledge to determine what purchases are reasonable and necessary for a cardholder to advance his/her program objectives. Most commonly, this would be the cardholder’s supervisor; however, a person with similar knowledge of the cardholder’s assigned duties and program objectives would also be able to adequately determine if the purchases are reasonable and necessary.</p>

Draft April 2001 Guidelines	Analysis
There is no mention that reviewing officials need any programmatic or organizational relationship to the cardholder.	The guidelines should state that the reviewing official needs to have the functional knowledge to determine what purchases are reasonable and necessary for a cardholder to advance his/her program objectives. Most commonly, this would be the cardholder's supervisor; however, a person with similar knowledge of the cardholder's assigned duties and program objectives would also be able to adequately determine if the purchases are reasonable and necessary.
BLM Guidelines	Analysis
The guidelines state, "the reviewing official, typically a supervisor or their designee, . . ."	The guidelines do a good job of stating that the supervisor should be the reviewing official in most cases, but also leaves room for another designee, and does not define the criteria of the designee. Specifically, the reviewing official needs to be in a position to determine if purchases are reasonable and necessary to advance the cardholder's program objectives.
BOR Guidelines	Analysis
There is no mention that reviewing officials need any program or organizational relationship to the cardholder.	The guidelines should specify that the reviewing official needs to have the functional knowledge to determine what purchases are reasonable and necessary for a cardholder to advance his or her program objectives. Most commonly, this would be the cardholder's supervisor; however, a person with similar knowledge of the cardholder's assigned duties and program objectives would also be able to adequately determine if the purchases are reasonable and necessary.
Recommended Control: The reviewing official needs to be accountable for undetected abuse when inadequate reviews were a contributing factor.	
May 2000 Guidelines	Analysis
There is no mention in the guidelines that reviewing officials need to be held accountable for undetected abuse when inadequate reviews were a contributing factor.	The guidelines should state that reviewing officials need to be accountable for undetected abuse when inadequate reviews were a contributing factor. The guidance must have some leverage to ensure that reviews are performed adequately (i.e., the reviewing official reconciles the invoices and receipts to the cardholder's statement of account to determine that charges are reasonable and necessary).
Draft April 2001 Guidelines	Analysis
The guidelines state that Bureau policy must address "discipline of cardholders who abuse/misuse the card and A/OPC or reviewing officials who fail to recognize card abuse/misuse when it should have been obvious to them."	The guidelines adequately satisfy the recommendation. However, the guidelines should specify the type of review that reviewing officials will be held accountable for (i.e. reconciling the statement and invoices to determine that charges are reasonable and necessary).

BLM Guidelines	Analysis
There is no mention in the guidelines that reviewing officials need to be held accountable for undetected abuse when inadequate reviews were a contributing factor.	The guidelines should state that reviewing officials need to be accountable for undetected abuse when inadequate reviews were a contributing factor so the guidance has some leverage to ensure that reviews are performed adequately (i.e., the reviewing official reconciles the invoices and receipts to the cardholder's statement of account to determine that charges are reasonable and necessary).
BOR Guidelines	Analysis
The "Approving Officials assume partial responsibility for cardholder's actions under their supervision. Failure to control misuse by cardholder(s) under their supervision or to maintain required oversight may result in actions against the approving official" (page 9). In addition, the guidelines set out penalties for reviewing officials who perform inadequate reviews (page 10).	The guidelines do a good job of emphasizing the importance of the role of the reviewing official in the credit card program and give consequences for inadequate reviews.
Recommended Control: Establish policy for record maintenance and accountability so that reviewing officials may reconcile receipts and invoices to cardholder statements.	
May 2000 Guidelines	Analysis
The guidelines state that "cardholders must retain all original receipts and documentation <i>directly supporting</i> their charge card transactions made through the purchase business line for a period of three years after final payment." In addition, "all receipts must be made available for audit or review within 48 hours after a request has been received" (page 26).	The guidelines sufficiently address the issue of the cardholder maintaining receipts and invoices. The statement also establishes cardholder accountability for record maintenance.
Draft April 2001 Guidelines	Analysis
The guidelines state that "cardholders must retain all original receipts and supporting documentation for a period of three years after final payment." In addition, "all receipts must be made available for audit or review within 48 hours after a request has been received."	The guidelines sufficiently address the issue of the cardholder maintaining receipts and invoices. The statement also establishes cardholder accountability for record maintenance.
BLM Guidelines	Analysis
The guidelines state, "you must file and retain all receipts and any supporting documentation in accordance with your local charge card implementation plan, regardless of the dollar value of your transactions. BLM offices must maintain these records for 3 years" (page 22).	The guidelines sufficiently address the issue of the cardholder maintaining receipts and invoices. The statement, however, establishes accountability of record maintenance on the cardholder.
BOR Guidelines	Analysis
The guidelines list the documentation that must be kept for a minimum of 3 years following final payment and must be made available for audit or review within 48 hours after a request has been received. The list includes purchase log, monthly statement, receipts, and supplemental documentation (page 22).	The guidelines sufficiently address the issue of the cardholder maintaining receipts and invoices. The statement also establishes accountability of record maintenance on the cardholder.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

NOV 26 2001

Memorandum

TO: Roger LaRouche
Assistant Inspector General for Audits

FROM: Debra E. Sonderman, Director *Debra E. Sonderman*
Office of Acquisition and Property Management

SUBJECT: **DRAFT ADVISORY REPORT ON THE INTEGRATED CHARGE
CARD PROGRAM, DEPARTMENT OF THE INTERIOR**
(Assignment No. C-IN-MOA-016-00-DC)

Thank you for the draft Office of Inspector General Advisory Report on Interior's integrated charge card program, which was requested by the Assistant Secretary - Policy, Management and Budget in the spring of 2000. We appreciate the cooperation your staff has demonstrated in briefing us periodically on findings as they were in process, and on keeping us informed as the scope of the review has narrowed to focus on the purchase business line of the program. In some cases, your staffs' findings led us to make immediate program adjustments; in others, the findings reinforced issues we had already identified and helped us to focus our resources on addressing the highest priorities. Attached are the Office of Acquisition and Property Management's and the Bureau of Land Management's responses to the report's 11 recommendations.

We recognize that the Integrated Charge Card Program is not static. Changes in technology, regulations, and/or charge card use patterns in any of the program's business lines affect policy, training, and oversight requirements at the Department and bureau/office levels. For example, over time, policy coverage in a given area may require expansion, while in another area, due to regulatory changes or risk re-assessment, coverage may actually be reduced or revised.

Since the Integrated Charge Card Program's introduction in November 1998, we have endeavored to continuously improve program policy, oversight tools, and training. To date, Departmentwide charge card policy guidance has been issued twice, i.e., November 1998 and May 2000. A third edition has been drafted and is in the final review process. We expect to launch on-line Approving Official training in January 2002, and have begun work on cardholder training for a late Spring release.

In October 1998, we outlined exception reports with Bank of America that we knew would be needed as oversight tools for our charge card program. Those exception reports have now been developed for the Department of the Interior in collaboration with Bank of America, tested and released for general use. Between March 23, 2001 and October 26, 2001, ten exception reports were put into production, allowing Reviewing Officials and others to monitor card usage in a wide variety of areas from convenience check use to frequent repairs for fleet.

We will continue to improve the Integrated Charge Card Program, and appreciate the recommendations provided in the draft report. We are pleased to report that actions on a number of areas also cited in the draft report are in progress. We look forward to working with you to ensure that all concerns are appropriately addressed.

Please contact me on 208-6352 or Patricia Corrigan of my staff on 208-1906 if you have any questions regarding our response to the draft report.

Attachment

cc:Robert Lamb
Sky Leshner

**Office of Acquisition and Property Management and Bureau of Land Management
Responses to Recommendations Contained in the
Draft Advisory Report on the Integrated Charge Card Program
(Assignment No. C-IN-MOA-016-00-DC)**

Recommendation 1: Require that the bureaus annually evaluate and adjust the number of cardholders with purchase authority to the minimum number needed for efficient operations.

Response: Qualified Concurrence. We will review this issue with the bureaus and direct them to assess the number of cardholders who need to have the purchase business line available for official purchases under the integrated SmartPay Program charge card, taking into consideration needs associated with field season, fire management, law enforcement and investigations, resource management, purchases associated with TDY travel and other operational support purchasing needs, and make adjustments as appropriate. While we agree that this should be done cyclically, we do not agree that the cycle should be an annual one. The results of this year's assessment will enable us to determine the optimum cycle for bureau evaluation and, as appropriate, adjustment of the number of cardholders with purchase authority.

We note the report's table showing what appears to be a large increase in employees with purchasing authority since the beginning of the SmartPay Program. Although some bureaus, such as BLM and USGS, had mature purchase card programs prior to 1998, other bureaus, such as the Bureau of Indian Affairs and National Park Service, did not. Much of the program's growth has occurred with the broader implementation of micro-purchase authority in these two bureaus. In addition, more than 1,000 individuals with contracting officer's warrants now have authority to use a purchase card as a payment tool for procurements over the micro-purchase threshold.

The number of open accounts varies slightly on a daily basis, depending on employee hiring, departures and changes in duties of on-board personnel. During the summer, employment at Interior peaks. Permanent seasonal employees, such as National Park Service rangers and certain fire fighters, are authorized to have charge cards open for use during their seasonal employment period.

As of August 1, 2001, 56,664 Interior employees had charge cards. Of those,

- 1,771 had purchase authority
- 27,060 had combined purchase and travel authority
- 27,833 had travel authority

Employment at Interior as of July 28, 2001 was 79,192 individuals, or 36% with purchase authority.

It is important to clarify that under the prior multi-card environment (i.e., different cards for travel, purchases, and fleet fueling), incidental purchases and purchases of fuel for rental cards associated with TDY travel could be made by the cardholder with his/her travel card. In the SmartPay Program's integrated card environment, non-lodging or non-food merchants are blocked to cardholders who only have the travel business line open under their accounts. We also open the fleet business line to cardholders with travel authority so that they can make necessary fuel purchases for rental vehicles.

Action: Cardholder purchasing authority needs evaluation/assessment by bureaus will be included as a targeted review requirement under the Department's 2002 management control review/reporting cycle for the acquisition function. Instructions to be issued in December 2001. Bureau/office reports due to the Office of Acquisition and Property Management by Thursday, August 15, 2002.

Responsible Official: Debra E. Sonderman, Director, Office of Acquisition and Property Management

Recommendation 2: Require that the bureaus annually evaluate and adjust credit limits for charge cardholders.

Response 2: Qualified Concurrence. We will direct the bureaus to review the credit limits established for the various option sets they use to categorize their cardholders based on their potential needs. A cardholder's potential need is not necessarily reflected in their actual usage of a card in the past quarter, year, or even since program implementation. The results of this year's assessment will enable us to determine the optimum cycle for bureau evaluation and, as appropriate, adjustment of credit limits.

Some background information is appropriate to clarify the issue of credit limits. We understand that the monthly credit limits were built into the transaction processing systems that manage all charge card programs for private sector consumer and corporate card programs in order to manage the vulnerability of the issuing banks to fraudulent use of lost/stolen cards, not misuse by the cardholder. While not specifically applicable to the Government's charge card program, the limits were incorporated into the General Services Administration's SmartPay Program because they exist in commercial transaction processing systems. Bank of America, based on its experience with large corporate charge card programs, recommended the monthly credit limits initially established on the Department of the Interior's accounts. Since the SmartPay Program's implementation, the bureaus have made adjustments to accommodate high use cardholders and for other reasons by creating new Option Sets, as needed. Bureaus have worked with Bank of America to establish the new Option Sets, and to date, the bank has not expressed concern about the monthly credit limit thresholds.

Action: Credit limit evaluation by bureaus will be included as a targeted review requirement under the Department's 2002 management control review/reporting cycle for the acquisition function. Instructions to be issued in December 2001. Bureau/office

reports due to the Office of Acquisition and Property Management by Thursday, August 15, 2002.

Responsible Official: Debra E. Sonderman, Director, Office of Acquisition and Property Management

Recommendation 3: Establish guidance to identify appropriate reviewing officials. Reviewing officials should be in a position to determine if transactions are a reasonable and necessary program expense. Reviewing officials should also be sufficiently independent and of sufficient rank to question the cardholder when additional information is needed about specific transactions.

Response 3: Concur. The Treasury Financial Manual, which sets basic guidance for financial management issues including travel, describes requirements for Approving Officials. Although we have used Reviewing Officials and Approving Officials interchangeably in the past, we have modified our guidance to use the term Approving Official. We are addressing our Approving Official (AO) needs in this area through a three-pronged approach:

(1) Planned issuance of a formal Integrated Charge Card Approving Official appointment memorandum outlining duties and responsibilities to *every* supervisor Departmentwide (and to new supervisors thereafter). The responsibility for signing monthly cardholder statements may not be re-delegated. The memorandum establishes a training requirement for all Interior AO's (to be completed within 45 days of receipt of the memorandum); outlines AO duties and responsibilities; identifies points of contact for suspected charge card misuse; warns that revocation of AO authority will follow any audit or other findings of non-performance of AO duties; and references additional Integrated Charge Card Program guidance accessible on-line.

(2) Mandatory AO On-Line Training Program. An AO Training Program Subcommittee to the Interior Integrated Charge Card Team was established at the May 2001 Departmentwide Integrated Charge Card Program Conference to develop and test a Departmentwide on-line AO training program. The training module, a goal of the Integrated Charge Card Team for well over a year prior to the May 2001 conference, is being developed. Projected completion is January 2002, with pilot testing and phase-in to immediately follow. The on-line program will include thorough coverage of AO duties and responsibilities; checklists to assist supervisors and other officials in reviewing cardholder transactions; and guidance on properly understanding necessary expense questions and handling misuse issues.

(3) Additional coverage regarding AO duties and responsibilities, checklists, and references in the upcoming revision to the Department of the Interior Integrated Charge Card Guidelines, now in the final review process.

Action: Items (1), (2) and (3): Planned release/issuance: January 2002 (January release of Items (1) and (3) is dependent on consultation with labor/union representatives.)

Responsible Official: Debra E. Sonderman, Director, Office of Acquisition and Property Management

Recommendation 4: Require that Reviewing Officials be formally designated.

Response 4: Concur. See Item (1) to Recommendation 3, above.

Recommendation 5: Establish specific procedures for record keeping, including a detailed description of what documents are to be maintained and how they are to be organized.

Response 5: Concur. Expanded coverage including *separate* procedures for reconciling Statements of Account (e.g., supporting documentation requirements) and documentation and record retention requirements for transactions in *each* of the Integrated Charge Card Program's business lines has been drafted for incorporation in the upcoming revision to the Department of the Interior Integrated Charge Card Guidelines. This was done to accommodate the varying record retention requirements of the Federal Acquisition Regulation (purchase business line), the Federal Management Regulations (travel and fleet), and Departmental policies. In addition, an AO transaction review checklist for purchase business line (including convenience checks) and fleet transactions has also been included in the guidelines.

Action: Planned release/issuance: January 2002 (dependent on consultation with labor/union representatives)

Responsible Official: Debra E. Sonderman, Director, Office of Acquisition and Property Management

Recommendation 6: Provide formal training to Reviewing Officials on the importance of conducting reviews and include specific instruction on how to reconcile statement activity.

Response 6: Concur. The on-line AO training program, currently under development, will emphasize the importance of the review process and assist AO's by providing them with checklists and step-by-step instructions on how to reconcile statement activity.

Action: Planned release/issuance: January 2002 (pilot testing to be followed by phase-in)

Responsible Official: Debra E. Sonderman, Director, Office of Acquisition and Property Management

Recommendation 7: Establish comprehensive policies and procedures for the review and reconciliation of cardholder transactions, recognizing that this is a paper intensive process.

Response 7: Concur. See response to Recommendation 5, above.

Action: Planned release/issuance: January 2002 (dependent on consultation with labor/union representatives)

Responsible Official: Debra E. Sonderman, Director, Office of Acquisition and Property Management

Recommendation 8: Require that Reviewing Officials be held accountable for performing adequate, timely reviews as part of their job performance and hold reviewing officials accountable for cardholder abuse when inadequate reviews were a contributing factor.

Response 8: Do Not Concur. The following language has been included in the proposed Appointment as Integrated Charge Card Approving Official memorandum: "If an audit of the card program or other information reveals that you are not performing your responsibilities, your approving authority will be revoked. This will result in another Approving Official being assigned to review your cardholders' transactions and may result in disciplinary action." In addition, the proposed Integrated Charge Card Guideline revision requires bureaus to include policy related to the discipline of "approving officials who fail to recognize card abuse/misuse when it should be obvious to them." However, final language to this effect will be contingent on Office of Personnel Policy and union representation review and concurrence. The Bureau of Reclamation policy cited and assessed in Appendix 2 to the report (page 16) required local union review prior to issuance.

The current U.S. Department of the Interior Handbook on Charges and Penalty Selection for Disciplinary and Adverse Actions (accessible at: <http://www.doi.gov/hrm/> under "Office of Personnel Policy") makes no provision for holding employees (supervisors or other) accountable for cardholder abuse when inadequate reviews were a contributing factor. Penalties are identified for charge card abuse by cardholders - not their AOs. The Office of Acquisition and Property Management will work with the Office of Personnel Policy to identify options on tying AO duties and responsibilities to job performance criteria and possible disciplinary action for non-performance of AO duties. However, since this recommendation falls under the purview of the Office of Personnel Policy, we cannot commit to an action plan or targeted resolution date.

Recommendation 9: Require that bureaus establish procedures to identify and deactivate charge card accounts for employees leaving the Department.

Response 9: Recommendation is Questioned. Section 2.13 (page 32) of the May 2000 U.S. Department of the Interior Integrated Charge Card Guidelines provides considerable coverage to this effect, as follows:

What steps must bureaus/offices take when an employee leaves the Department of the Interior or moves from one DOI bureau to another?

Bureaus must develop specific employee clearance procedures implementing the following requirements to ensure that the Bank of America MasterCard and convenience checks are destroyed, and that outstanding balances are paid in full when an employee is separated from the Department or moves from one DOI bureau to another.

A. Bureaus/offices must immediately cancel all contractor-issued charge card accounts when an employee cardholder leaves the DOI or moves from one bureau to another.

B. Charge card plastic(s) and convenience checks must be destroyed.

C. In addition, bureau/office employees with exit clearance oversight responsibilities must: (1) Verify the account status in EAGLS and determine whether any amounts are due; (2) attempt to obtain a check from the employee payable to Bank of America, for the full amount of undisputed individually billed charges that are outstanding; (3) inform the exiting employee that if he/she has an outstanding balance, the charge card contractor will be notified of their departure and provided with the employee's forwarding address. In addition, the exiting employee must be informed that if he/she has been appropriately reimbursed for individually billed travel related expenses but is separating from the Department of the Interior with a delinquent balance, his/her account information will be referred to the Office of Inspector General (OIG); and (4) *either* immediately notify the Bank of America of the change in status (including forwarding address) if they have authority in EAGLS to do so, *or* provide the information to the cardholder's respective A/OPC for prompt coordination with the Bank of America. In cases where an employee is separating from DOI with a delinquent balance (as covered above), the bureau exit clearance official will refer cardholder information by telephone or in writing to the OIG.

Comparable coverage has been included in the upcoming guideline revision. A copy of the U.S. Geological Survey's Employee Clearance Procedures is also included in the upcoming revision for consideration and possible use by other Interior bureaus/offices. Most bureaus have an employee clearance procedure in place. However, employees frequently leave without bothering to follow that procedure.

To address this issue, the Office of Acquisition and Property Management and National Business Center have collaborated in the development of a report that matches cardholder data with employee status information contained in the FPPS. This will allow for quicker identification of cardholders for whom a personnel action has been issued for separation or re-assignment. The first production run of the report has been completed, and several hundred accounts closed. We also identified several hundred cases where the employee's social security number in EAGLS was incorrect, giving the appearance that the

cardholder account was not valid. This report will be run quarterly by NBC and distributed to the bureaus for action.

Recommendation 10: Continue cardholder training with emphasis on taxes, procedures to ensure that accountable property gets properly recorded, and record keeping requirements.

Response 10: Concur. The upcoming revision to the Integrated Charge Card Program Guideline includes expanded coverage in each of the above areas including checklist references to the requirement to enter applicable property data into bureau/office property management systems; a Department of the Interior charge card program tax-exemption information website (<http://www.doi.gov/pam/exempt.html>); and more detailed information on documentation and record keeping requirements. Upon issuance of the guideline, we will require bureaus to ensure that their training programs reflect the revised guidelines' emphasis in the above areas. Standardized on-line cardholder training is now being developed, with expected release in 2002.

Action: Planned release/issuance: January 2002 (dependent on consultation with labor/union representatives)

Responsible Official: Debra E. Sonderman, Director, Office of Acquisition and Property Management

Recommendation 11 [Bureau of Land Management]: Require that cardholders keep and maintain their own records or establish a policy that would hold Reviewing officials accountable for incomplete records transferred to a central filing system.

Response 11 [Bureau of Land Management] Do Not Concur: The BLM believes that lack of complete records is a common problem as verified by our own reviews of the charge card program. However, we do not feel that requiring cardholders to maintain their own records is the solution. We have found with our own reviews that charge card records are more complete in offices that require records to be centrally filed.

The current BLM charge card manual only requires cardholders to file records "as prescribed in your local charge card implementation plan." The manual rewrite, which is in progress, requires the records to be "stored and properly secured in the cardholder's office in accordance with the local operation plan." This can be accomplished by the cardholder maintaining his/her records at their workstation or by the office maintaining the records in a central file. Either way, the cardholder's and Reviewing Official's signature on the statement is certification that the files are complete. If the cardholder maintains control of the records, he/she is responsible for ensuring that the records are secure and remain intact. Likewise, only complete records should be sent to central files and the Records Manager is responsible for security of the records.

If incomplete records are being approved, this is a performance issue that should be addressed by the Reviewing Official's immediate supervisor. We cannot establish policy that would hold Reviewing Officials accountable for incomplete records. We can, and do, have a policy that establishes procedures for Reviewing Officials to follow. It is then the Reviewing Official's immediate supervisor's responsibility to hold them accountable.

Analysis of Controls, DOI, BLM, and BOR Guidelines (Appendix 2)

IG Recommended Control (Page 14): The reviewing official needs to be responsible for reconciling invoices and receipts to cardholder statements to ensure that purchases are reasonable and necessary government expenses.

BLM Response to the Analysis (Page 15): The IG's analysis was based on a review of the interim BLM charge card manual dated 12/10/99. A BLM National Business Center Information Bulletin No. BC-2001-075 was issued on 6/7/01 that addressed reviewing official's roles and responsibilities in more detail than what the coverage is in the interim charge card manual. We are currently working on a rewrite of the BLM charge card manual that will incorporate the information contained in the above referenced information bulletin.

IG Recommended Control (Page 15): The reviewing official needs to be in a position to determine reasonable and necessary expenses of the cardholder.

BLM Response to the Analysis (Page 16, top): As the IG analysis suggests, the current BLM guidance does not address this. There is also very limited guidance in the DOI Integrated Charge Card Program Guidelines related to the assignment of reviewing/approving officials. It is recommended that additional language be added to the DOI guidelines to ensure that consistent guidance exists across all DOI bureaus/offices.

IG Recommended Control (Page 16): The reviewing official needs to be accountable for undetected abuse when inadequate reviews were a contributing factor.

BLM Response to the Analysis (Page 17, top): As stated above in the BLM response to the IG recommended control above, BLM feels that the DOI guidelines should establish department-wide guidance related to this item to aid in the consistency of approach by all bureaus/offices. The new revised DOI guidelines only require that bureaus include policy related to the discipline of "approving officials who fail to recognize card abuse/misuse when it should have been obvious to them."

BLM also questions the appropriateness of including this type of guidance in a program-specific manual. The approving official's failure to properly review employee charge card transactions is a performance issue that must be dealt with. To my knowledge, no other program manual/guideline includes coverage related to disciplinary actions for individuals who fail to comply with the policy contained in the document. When an

individual fails to properly perform any of their duties, it is that individual's immediate supervisor's responsibility to work with HR staff to determine the appropriate course of action.

IG Recommended Control (Page 17): Establish policy for record maintenance and accountability so that reviewing officials may reconcile receipts and invoices to cardholder statements.

BLM Response to the Analysis (Page 17, bottom): The IG's analysis was based on a review of the interim BLM charge card manual dated 12/10/99. That guidance only required cardholders to file records "as prescribed in your local charge card implementation plan." The manual rewrite requires the records to be "stored and properly secured in the cardholder's office in accordance with the local operation plan." This can be accomplished by the cardholder maintaining their records at their workstation or by the office maintaining the records in a central files. Either way, the cardholder's and reviewing official's signature on the statement is certification that the files are complete. If the cardholder maintains control of the records, they are responsible for ensuring that the records are secure and remain intact. Likewise, only complete records should be sent to central files and the records manager is responsible for security of the records.

STATUS OF AUDIT REPORT RECOMMENDATIONS

Recommendation /Reference	Status	Action Required
1, 2, 3, 4, 5, 6, 7, 8, and 10	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
9	Resolved and Implemented	No further action is required.
11	Management concurs additional information requested.	Provide the title of the official responsible for drafting the manual revision on record keeping responsibility, and provide a target date for implementation.



Mission

The mission of the Office of Inspector General (OIG) is to promote excellence in the programs, operations, and management of the Department of the Interior (DOI). We accomplish our mission in part by objectively and independently assessing major issues and risks that directly impact, or could impact, the DOI's ability to carry out its programs and operations and by timely advising the Secretary, bureau officials, and the Congress of actions that should be taken to correct any problems or deficiencies. In that respect, the value of our services is linked to identifying and focusing on the most important issues facing DOI.

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