



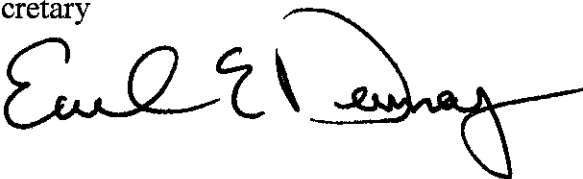
United States Department of the Interior

Office of Inspector General
Washington, D.C. 20240

SEP 24 2007

Memorandum

To: James E. Cason
Associate Deputy Secretary

From: Earl E. Devaney 
Inspector General

Subject: Management Advisory — Department of the Interior Purchase-and Fleet-Card Administration (Report No. Y-EV-MOA-0002-2007)

Recently, the Office of Inspector General initiated an informal review of Department of the Interior (Department) charge card data. As part of this review, we evaluated the number of purchase-card holders and their credit limits across all Department bureaus and offices. When possible, we compared these data with that of other organizations. Our review also covered purchase-and fleet-card accounts with little or no activity. We performed our review using data from the Electronic Account Government Ledger System, ChargeCard Reports Distribution System, and other readily available sources.

We found that the Department has issued an excessive number of charge cards with purchase authority, established undue purchase card credit limits, and maintained inactive fleet cards. The Department:

- 1) Could better monitor both the number and limits of purchase cards¹ and
- 2) Needs to improve its control of fleet cards for vehicles that are under-used, no longer in its service, or not being used at all.

PURCHASE CARDS

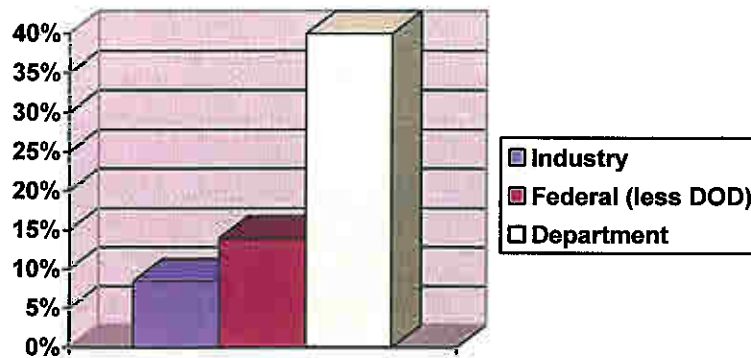
As of March 2007, over 1,700 accounts that had been open for over 1 year showed no purchase activity for at least 1 year. Nearly half of these accounts had no activity of any kind. The collective monthly purchase-cycle limit associated with these accounts is over \$110 million. According to the GSA manual "Blue Print for Success: A Guide for Purchase Card Oversight," card issuance should be based upon need, and cards with little or no activity should be

¹The term "purchase cards" is used to refer to integrated cards with purchase authority option sets.

deactivated. Further, the Government Accountability Office (GAO)² says organizations should issue purchase cards in controlled and limited quantities.

Number of Charge Cards with Purchase Authority

The chart below compares the percentages of employees who possess purchase cards at the Department, other federal organizations, and a broad range of private organizations. As is readily apparent, the Department's 40 percent of employees (over 27,000 of 68,694³) is much higher than the approximated 14 percent⁴ at federal organizations U.S. Governmentwide (excluding the Department of Defense (DOD)). Across federal organizations, the percentages ranged from 2 percent at the Securities and Exchange Commission to 22 percent at the U.S. Department of Agriculture. Within the Department, the percentages ranged from 13 percent at the Minerals Management Service to 72 percent at the U.S. Geological Survey.



Percentage of Employees with Purchase Cards

The Department's 40 percent is also high compared with other benchmarks. An RPMG Research Corporation survey, "2005 Purchasing Card Benchmarking Survey Report," included both private and public sector organizations and showed an average ratio of purchase cards to employees of 8.5 percent. Similarly, a calendar year 2000 survey of State and local governments found that purchase-card holders constituted 9.5 percent of employees (see "Government Finance Review," August 2002). As a geographically widespread organization, the Department may require a higher number of card holders than other organizations. However, 40 percent of employees with purchase cards is excessive.

Credit Limits

To determine whether monthly purchase limits correspond with actual needs, we compared the maximum total amount charged in any month with the monthly purchase limit. Since FY2005, 57 percent of Department purchase-card holders never exceeded 10 percent of their purchase limits in any 1 month. Further, the monthly limit generally associated with the

²GAO "AUDIT GUIDE: Auditing and Investigating the Internal Control of Government Purchase Card Programs," November 2003, p. 22.

³Full-time equivalents (FTEs) for FY2006 are taken from FY2008 Budget Justification.

⁴This percentage is based on September 2006 purchase-card information from the GSA and FY2006 FTE information from the President's Budget for FY2008.

single micro-purchase varies widely among bureaus and offices. The different credit limits, which range from \$10,000 to \$50,000, do not appear to correspond to differences in activity.

In Table 1, we compare the percentage of employees with purchase authority; the percentage of purchase-card holders who never charged more than 10 percent of their limits in a single month; and the most common monthly credit limit for micro-purchases⁵.

Department Bureau/Office	% FTE With Purchase Cards	% Using <10 Percent of Monthly Limit	Most Common Micro-Purchase Monthly Limit
<i>Bureau of Indian Affairs</i>	16	54	\$50,000
<i>Bureau of Land Management</i>	42	33	20,000
<i>Bureau of Reclamation</i>	30	27	10,000
<i>Minerals Management Service</i>	13	37	25,000
<i>National Park Service</i>	47	76	50,000
<i>Office of Surface Mining, Reclamation and Enforcement</i>	16	54	50,000
<i>Office of the Secretary</i>	24	57	50,000
<i>U.S. Fish and Wildlife Service</i>	32	48	20,000
<i>U.S. Geological Survey</i>	72	61	25,000

Table 1. Department Bureau/Office Comparisons

Based on our analysis and on commonly accepted best practices, the credit limits of Department purchase-card holders appear to greatly exceed need.

FLEET CARDS

About 29 percent of open fleet-card accounts (7,253 of 25,319) showed no activity for at least 1 year. The National Park Service, in particular, has many fleet-card accounts that showed no activity. See Table 2 for fleet-card account numbers and percentages by bureau/office. We also noted that the Department Integrated Charge Card Program guide does not address procedures for deactivating fleet cards — as it does for deactivating individual charge cards.

⁵The micro-purchase limit was \$2,500 for a single purchase prior to October 20, 2006, then rose to \$3,000. The vast majority of card holders have the micro-purchase single limit or less.

Department Bureau/Office	Total Cards	Cards W/O Activity	Percentage
<i>Bureau of Indian Affairs</i>	2,900	912	31
<i>Bureau of Land Management</i>	4,125	397	10
<i>Bureau of Reclamation</i>	2,000	443	22
<i>Minerals Management Service</i>	34	0	0
<i>National Park Service</i>	6,415	2,906	45
<i>Office of Surface Mining, Reclamation Enforcement</i>	163	0	0
<i>Office of the Secretary</i>	54	0	0
<i>U.S. Fish and Wildlife Service</i>	7,235	1,994	28
<i>U.S. Geological Survey</i>	2,393	601	25
Total	25,319	7,253	29

Table 2. Fleet Card Accounts — Number and percentage of inactive cards by bureau/office

CONCLUSION

The Department needs to improve its management of both purchase and fleet cards. With regard to the former, the Department spends over \$600 million a year using charge cards, and its potential financial risk is high. With regard to limits, purchase-card holders carry a total monthly credit limit of over \$1.6 billion, which far exceeds need. Credit limits in excess of requirements increase the U.S. Government's financial exposure. The Department could decrease its risk by reducing the number of purchase-card holders and lowering purchase card limits.

Card management is a shared responsibility. Briefly, the Office of Policy, Management and Budget (PMB) has overall management responsibility for the Integrated Charge Card Program. Within PMB, the Office of Acquisition and Property Management (PAM) has oversight and policy responsibility for the purchase and fleet lines. At the bureaus and offices, the assistant directors for administration (ADA) or their equivalents, are responsible for developing bureau-/office-specific procedures and oversight of day-to-day operations.

We believe that both the Department and its bureaus and offices can improve their policies and oversight. Department policy calls for bureaus and offices to periodically review and adjust, at least every 2 years, the number of card holders with purchase authority and their credit limits. The bureaus and offices provide review results to PAM. Our analysis, however, raises serious questions about the level of Department-provided oversight and the efficacy and consistency of bureau/office reviews. Although the Department levied the review requirements, it provides no specific criteria or guidelines on how bureaus/offices should conduct the reviews.

In terms of frequency, a 2-year minimum cycle may be insufficient. Best practices suggest that bureaus and offices should conduct reviews at least annually.

With regard to fleet cards, the Department faces less risk. However, its large number of inactive accounts strongly suggests the need to improve control of fleet cards for vehicles that are under-used, no longer in Department service, and not being used at all.

We identify below several actions that should reduce Department risk.

SUGGESTIONS

We encourage you to assess the effectiveness of Department controls over purchase- and fleet-card accounts and suggest you work with bureau and office ADAs to:

1. Revise Department review policies to cover:
 - a. initial purchase-card approval based upon need;
 - b. cancellation of purchase cards based on established minimums, such as zero purchases within a 6-month period or a given number of purchases; and
 - c. assessment of the number of card holders and deactivation of purchase authority.
2. Monitor bureau/office implementation of the revised policies;
3. Ensure that Department policies address:
 - a. determining and monitoring credit limits (credit limits should be founded upon a realistic assessment of expected purchases and adjusted periodically based on actual use);
 - b. closing fleet accounts when Department bureaus and offices take vehicles out of service or transfer them to other organizations; and
 - c. reviewing active fleet accounts to determine if cards should be deactivated.

We further suggest that bureaus and office heads:

4. Develop their own policies and adopt appropriate specific procedures.
5. Review the credit limits associated with different option sets and modify as needed.

6. Consider the advisability of:
 - a. requiring annual reviews of the number of purchase-card holders and the limits of their cards;
 - b. automatically deactivating cards that are not used within a certain period; and
 - c. using an exception report on fleet cards and the fleet management systems, much like the report based on individual charge cards and the Federal Personnel Payroll System.

If you have any questions, please contact me at 202-208-5745.