



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

SURVEY REPORT

**USE OF THE
GOVERNMENTWIDE PURCHASE CARD,
NATIONAL PARK SERVICE**

**REPORT NO. 97-I-875
JUNE 1997**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

JUN 13 1997

MEMORANDUM

TO: The Secretary

FROM: Wilma A. Lewis
Inspector General

SUBJECT SUMMARY: Final Survey Report for Your Information - "Use of the Government Purchase Card, National Park Service" (No. 97-I-875)

Attached for your information is a copy of the subject final survey report. The objective of the survey was to determine whether the National Park Service managed the Governmentwide Purchase Card Program in accordance with applicable laws, regulations, and guidelines.

We concluded that the Park Service did not ensure that holders of the Governmentwide purchase card complied with established purchase card procedures. In addition, the Park Service did not have detailed procedures regarding the receipt of goods ordered by telephone. Specific deficiencies included use of the card by unauthorized personnel, purchase of restricted items, and improper payment of sales taxes. We made three recommendations to improve management and internal controls over the Program.

Based on the Park Service's response, we requested additional information on two recommendations and requested that the Park Service respond to a revised recommendation relating to card issuance.

If you have any questions concerning this matter, please contact me at (202) 208-5745 or Mr. Robert J. Williams, Assistant Inspector General for Audits, at (202) 208-4252.

Attachment



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

JUN 13 1997

SURVEY REPORT

Memorandum

To: Director, National Park Service

From: Robert J. Williams *Robert J. Williams*
Assistant Inspector General for Audits

Subject: Survey Report on the Use of the Governmentwide Purchase Card,
National Park Service (No. 97-I-875)

INTRODUCTION

This report presents the results of our survey on the use of the Governmentwide purchase card at the National Park Service. The original objective of the review was to determine whether the Park Service managed the Governmentwide Purchase Card Program in an efficient and economical manner and in accordance with applicable laws, regulations, and guidelines. However, during our survey, the General Accounting Office issued the report entitled "Acquisition Reform, Purchase Card Use Cuts Procurement Costs, Improves Efficiency" (No. GAO/NSIAD-96-138). The report stated: "Agencies have found they can support their missions at reduced costs by having program staff use the purchase card for simple purchases. Further, agency studies have shown that purchase card use reduces labor and payment processing costs." Therefore, based on these statements, we addressed the management of the Park Service's Program rather than the Program's efficiency and economy.

BACKGROUND

In 1989, the General Services Administration awarded a contract to Rocky Mountain BankCard System to provide credit card services within the Federal Government. The card was intended to streamline the small purchase and payment processes and to be used only for official purposes. On June 28, 1990, the Department of the Interior issued the "Handbook for Utilization of the Governmentwide Commercial Credit Card" under Department of the Interior Acquisition Policy Release (DIAPR) 90-35. According to the Release, the Department's intent in issuing the Handbook was to "present the general policy within which each bureau could develop its own credit card policy." In March 1995, the Park Service implemented the Governmentwide Purchase Card Program and issued its own guidance in its Governmentwide Purchase Card Manual and its Governmentwide Purchase Card Training

Manual. According to the Purchase Card Manual, the purchase card may be used for the acquisition of supplies and services using small purchase procedures except for some specified categories, such as meals, lodging, and telecommunications equipment.

The Rocky Mountain Bank submits monthly invoices to the Park Service's Accounting Operations Center office in Reston, Virginia. The monthly invoices represent the aggregate purchase card amounts for each Park Service entity (for example, systems support offices and national park clusters) that participates in the Program. In addition, the Bank submits to each cardholder a monthly statement that itemizes the cardholder's transactions. Within 5 days of receiving the statement, the cardholder is required to review, reconcile, and certify that the transactions were recorded accurately. The cardholder is then required, by the Purchase Card Manual, to forward the certified statement and all applicable supporting documentation to the cognizant approving official. The approving official is required to certify the cardholder's statement within 10 days of receiving the documentation and to determine whether the purchases were appropriate and were recorded accurately. The Purchase Card Manual further states that untimely certification by the cardholder may result in revocation of the card.

The use of the purchase card within the Park Service has increased significantly since the first year the Program was implemented in 1995 and has continued to increase to approximately 3,500 purchase cards nationwide, as shown in the following table:

	<u>April 13.1995</u> (First billing)	<u>April 12.1996</u> (Test month)	<u>May 13.1996</u>
Participating Entities	1	17	17
Active Accounts	2	1,380	1,577
Approving Officials	2	1,068	1,148
Purchase Cards	4	3,261	3,507
Purchase Transactions	3	5,905	6,902
Net Purchases	\$1,355	\$1,122,798	\$1,354,367

SCOPE OF SURVEY

Our survey was conducted from May through September 1996 and included purchases made with the purchase card by Park Service employees for the monthly billing cycle ending April 12, 1996 (the most recent billing at the beginning of our survey). We judgmentally selected 123 of the 3,261 purchase cards for cardholders who worked at 16 of the 17 participating Park Service entities (see Appendix 1). The 123 cardholders were selected based on those who had the highest dollar value transactions for the month, which involved 1,712 of the 5,905 individual transactions. These transactions totaled \$557,700 (51 percent) of the \$1.1 million listed on the Park Service's monthly billing. Survey fieldwork was

conducted at the Park Service's Accounting Operations Center office in Reston, Virginia, where the supporting documents were located. In addition, we contacted 20 individual cardholders and 2 approving officials.

Our survey was made in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary to accomplish our objective. In planning our survey, we reviewed the Department of the Interior's Annual Statement and Report, which is required by the Federal Managers' Financial Integrity Act, for fiscal year 1995 and determined that the Department did not report any material weaknesses related to the objective and scope of our review. We also evaluated the Park Service's system of internal controls related to purchase card activities and found that the Park Service did not provide adequate management oversight of purchases made with the card. This weakness and the recommended corrective actions are discussed in the Results of Survey section of this report. The recommendations, if implemented, should improve the internal controls in this area.

PRIOR AUDIT COVERAGE

Neither the Office of Inspector General nor the General Accounting Office has issued any reports since the Park Service's inception of the purchase card program in April 1995 that specifically addressed our survey objective. However, the General Accounting Office report entitled "Acquisition Reform, Purchase Card Use Cuts Procurement Costs, Improves Efficiency" (No. GAO/NSIAD-96-138) stated, "Agencies have found [that] they can support their missions at reduced costs by having program staff use the purchase card for simple purchases." Although the Department of the Interior was included in the study, there were no recommendations in the report directed to the Department.

RESULTS OF SURVEY

We concluded that the Park Service did not ensure that holders of the Governmentwide purchase card complied with established purchase card procedures. In addition, the Park Service did not have detailed procedures regarding the receipt of purchases ordered by telephone. Specifically, we found deficiencies in the transactions of 56 of the 123 cardholders tested. These deficiencies consisted of use by unauthorized personnel, purchase of restricted items, and improper payment of sales taxes. The procedures established in the Departmental Handbook and the Park Service manuals were not followed because Park Service management did not provide adequate oversight of the Purchase Card Program. As a result, the potential existed for the Program to be subject to waste and abuse.

Unauthorized Use

The Departmental Handbook (Section X) and the Park Service's Purchase Card Manual (Section II, Part F) and Training Manual (Unit Two) require that the purchase card be used only by the cardholder. However, we found 51 purchase transactions, totaling \$13,400, involving 22 cardholders in which the sales drafts were signed by individuals other than the authorized cardholder. Of the 22 cardholders, we were able to contact 20 and determined that 19 of the cardholders placed telephone orders and that 1 cardholder gave the purchase card to another individual. The 20 cardholders contacted provided the following reasons why other individuals signed the purchase card sales drafts:

- The purchased goods or services were for another person's use.

- The cardholder was either "unavailable" or was "too busy" to pick up or sign for the delivered item.

Although the Park Service manuals authorize telephone orders, the manuals do not contain specific guidance concerning the receipt of the items. In our opinion, Park Service employees who are not cardholders but who receive delivery of purchases ordered by telephone should be instructed not to sign the sales draft but should sign a delivery receipt. The delivery receipt should then be provided to the cardholder for use in reconciling the monthly purchase statement. During our review, a Park Service official said that the Park Service may also need to review its procedures to ensure that cards are issued to the appropriate personnel, which would reduce the need for cardholders to make purchases on behalf of others.

Purchase of Restricted Items

The Departmental Handbook (Section VII) and the Park Service's Purchase Card Manual (Section II, Part G) and Training Manual (Unit One) list specific items or services, such as meals, lodging, and telecommunication equipment, that should not be acquired with the purchase card. According to these manuals, these "restricted" items are to be acquired using another procurement method, such as blanket purchase agreements or Government-sponsored individual travel charge cards. However, we found that in 57 transactions, totaling \$32,600, restricted purchases were made. Specifically, purchases were made for the following restricted items:

- Telecommunications and telephone equipment (6 cardholders, totaling 7 transactions).

- Lodging (1 cardholder, totaling 2 transactions).

- Meals/groceries (4 cardholders, totaling 9 transactions).

- Gasoline and oil for Government vehicles (8 cardholders, totaling 16 transactions).
- Repair parts, products, or services for Government vehicles (2 cardholders, totaling 4 transactions).

Also included in the 57 transactions was accountable and sensitive property, such as computers, portable power tools, tool sets, printers, a videocassette recorder, furniture, and computer modems, that was acquired by cardholders who were not contracting officers (10 cardholders, totaling 19 transactions). However, both the Purchase Card Manual (Section II, Part G) and the Training Manual (Unit One) specify that accountable and sensitive property items should be purchased only by cardholders who are also contracting officers.

Sales Tax Exemptions

The Departmental Handbook (Section III, Part V) and the Purchase Card Manual (Section III, Part B) state that purchase card transactions are not subject to state or local sales taxes and that the cardholders should notify merchants of the tax exempt status of these transactions. In addition, the purchase card is imprinted with the statement "U.S. GOVERNMENT TAX EXEMPT." Further, the Purchase Card Manual states, "The purchase should not be made if the vendor refuses to omit taxes from the final purchase price." However, we found that sales taxes totaling \$1,395 were charged on 127 transactions for 28 cardholders. In three instances, the cardholders indicated that requests for sales tax refunds were in process or that Accounting Operations Center personnel had notified cardholders that the purchases should have been tax exempt.

Summary

The deficiencies cited occurred because Park Service management did not provide adequate oversight of the Purchase Card Program. The procedures established for ensuring compliance with Program objectives are contained in the Purchase Card Manual, which requires that:

- The Park Service provide training for prospective cardholders and approving officials before it issues purchase cards (Section II, Part D).
- Cardholders review monthly statements for accuracy (Section IV, Part A).
- Approving officials review monthly statements to determine whether the items purchased were appropriate and were accurately recorded (Section IV, Part B).

- The Park Service conduct periodic, but not less than annual, reviews of the use of the Governmentwide purchase card and submit copies of the reviews to the Park Service Agency Program Coordinator (Section V, Part G).

- The Accounting Operations Center “audit” all cardholders’ monthly statements to ensure that purchases are in compliance with applicable regulations and notify approving officials of “any questionable purchases for clarification or appropriate action” (Section IV, Part D).

Although procedures were specified in the Purchase Card Manual, we found no documented instances in which: (1) approving officials noted any noncompliance issues on cardholders’ statements and (2) Accounting Operations Center personnel contacted approving officials concerning noncompliance issues. Center personnel stated that they contacted cardholders mainly by telephone or by electronic mail transfer; however, these contacts were usually not documented or references to them were not retained in the files. In addition, the Park Service’s Agency Program Coordinator told us that no regional reviews had been conducted of the Purchase Card Program.

Recommendations

We recommend that the Director, National Park Service, direct appropriate staff to:

1. Ensure that established Purchase Card Program policies and procedures are complied with and that any deficiencies, including use of the purchase card by unauthorized personnel, the purchase of restricted items, and the improper payment of sales taxes, are reported and corrected in a timely manner.

2. Revise the purchase card manuals to include procedures for the receipt of goods purchased through telephone orders.

3. Review whether the cards are issued to appropriate personnel or additional cards should be issued.

National Park Service Response and Office of Inspector General Reply

In the April 11, 1997, response (Appendix 2) to our draft report from the Acting Associate Director, Administration, National Park Service, the Park Service generally concurred with the finding and all three recommendations. Based on the response, we have revised Recommendation 3 and request that the Park Service respond to the revised recommendation. Also based on the response, additional information is needed for Recommendations 1 and 2 (see Appendix 3).

Recommendation 1. Concurrence stated.

National Park Service Response. The Park Service stated that the NPS Purchase Card Manual was being revised “to again highlight the purchase of restricted items and the restrictions concerning the payment of sales taxes” and to include “an administrative review of randomly selected purchase cards.”

Office of Inspector General Reply. This revision sufficiently addresses part of our recommendation. However, the Park Service needs to indicate what actions it will take to emphasize the need for the approving officials to perform thorough reviews of the cardholders’ purchases and to ensure that deficiencies identified during reviews by approving officials are reported and corrected in a timely manner.

Recommendation 2. Concurrence stated.

National Park Service Response. The Park Service said that it had revised its manual to include procedures for instances in which someone other than the cardholder receives the item ordered. The Park Service also stated that the procedures require the cardholder to pick up items ordered by telephone and to sign the receipt when so required by the vendor. Further, according to the response, if no signature is required by the vendor, someone else can receive the item.

Office of Inspector General Reply. We believe that the revision regarding telephone orders strengthens controls over the signing of credit card receipts, which authorizes payment for goods and services purchased. However, we believe that when no signature is required on the credit card receipt, the Park Service should require the person accepting delivery of the item to sign a delivery receipt, which should then be provided to the cardholder for use in reconciling to the monthly invoice. Therefore, we believe that the Park Service should include procedures in its manual for how the signature of the individual other than the cardholder is obtained.

Recommendation 3. Concurrence stated.

National Park Service Response. The Park Service stated that, based on its review of procedures for issuing the Governmentwide purchase card to Program personnel to determine whether the cards are issued to the appropriate personnel or additional cards should be issued, it found that “the procedures now in place are satisfactory.” The Park Service further stated that the Program Manager who wants to use the purchase card, rather than those individuals responsible for administration of the Program, determines who is “appropriate” and whether additional cards should be issued.

Office of Inspector General Reply. We made this recommendation at the request of Park Service personnel who indicated that the problems identified in our report regarding the

unauthorized use of the card may have been caused, in part, by a need for additional cards. Therefore, based on the Park Service's response, we have revised the recommendation to require that Program Managers who use the card determine whether the need exists for additional cards so as to preclude the unauthorized use of the card. Accordingly, we request that the Park Service respond to the revised recommendation.

In accordance with the Departmental Manual (360 DM 5.3), we are requesting a written response to this report by June 30, 1997. The response should provide the information requested in Appendix 3.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, the monetary impact of audit findings, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

We appreciate the assistance of Park Service personnel in the conduct of this survey.

**NATIONAL PARK SERVICE ENTITIES PARTICIPATING
IN THE PURCHASE CARD PROGRAM**

Southwest Systems Support Office*
Mid-Atlantic Regional **Office**
Administrative Program Center
National Capital Regional Office
Alaska Regional Office
North Atlantic Regional **Office**
Pacific West Area Office
Midwest Regional **Office**
Columbia Cascades Cluster
Southeast Regional **Office**
Rocky Mountain Regional Office
Harpers Ferry Center**
Washington Area Service **Office* * ***

*There are four entities within the geographical area covered by the Southwest Systems Support Office.

**The geographical area covered by Harpers Ferry Center has two entities.

***Not selected for transaction testing.



United States Department of the Interior

NATIONAL PARK SERVICE
P.O. Box 37127
Washington, D.C. 20013-7127

IN REPLY REFER TO:

S72(2623)

APR 11 1997

Memorandum

To: Robert J. Williams
Acting Assistant Inspector General for Audits

Through: Frank Seng *Frank Seng*
NPS Management Officer

From: *Active* Associate Director, Administration *J. Lynn Smith*
National Park Service

Subject: Response to Draft Survey Report on the Use of the Governmentwide Purchase Card (Assignment No. E-IN-NPS-016-96)

Since the National Park Service (NPS) implemented its Governmentwide Purchase Card Program in March 1995, the goals and objectives were to streamline the procurement bureaucracy encountered by vendors and Program personnel. Like other Federal agencies, and as indicated by the National Performance Review (NPR), the NPS determined that such implementation would support its reorganizational efforts by reducing labor and payment processing costs, as well as providing a means for further decentralizing the procurement process to allow program staff the ability to do their own purchasing. The Program's efficiency and effectiveness were always an intended part of this goal. In response to subject report, the NPS however, welcomed the review performed by the Office of Inspector General (OIG), and generally concur with the findings and recommendations stated. Based on those recommendations, the following comments are offered.

1. To Ensure that established Purchase Card Program policies and procedures are complied with, and that any deficiencies, including use of the purchase card by unauthorized personnel, the purchase of restricted items, and the improper payment of sales taxes, are reported and corrected in a timely manner, the NPS Purchase Card Manual is currently being revised to again highlight the purchase of restricted items and the restrictions concerning the payment of sales taxes. The revision will include an annual review checklist form and will require an administrative review of randomly selected purchase cards within each Region, Program/Service Center, and Support Office. One of the items on the checklist specifically addresses whether persons other than the cardholder have made purchases. Completed checklist forms will be due to each

Regional Program Coordinator (RPC) by December 31 of each year. The Accounting Operations Center (AOC) will immediately notify via cc: Mail, the cardholder, approving official, and RPC, of any indication that someone other than the cardholder has placed an order.

In addition, to address the concerns regarding “restricted” purchases, the NPS revised its Purchase Card Manual to be more specific concerning restricted items. This should eliminate the “questionable” items such as telephone and telecommunication equipment, and will also be covered by the administrative review checklist. The AOC will continue to review cardholder statements and will immediately notify via cc: Mail, the cardholder, approving official, and the RPC, of any purchases of restricted items. Further, to address the issue concerning the payment of **sales** taxes, which we agree is an unnecessary expense and should be eliminated, the Purchase Card Manual has been revised to outline some options available to the cardholder in dealing with vendors who require that sales tax be paid as part of the transaction. The cardholder is instructed to inform the vendor that the Federal Government is tax exempt and to attempt to resolve the issue prior to making the purchase. If the vendor is unwilling to cooperate, then the cardholder is to shop elsewhere. Following these guidelines should help to eliminate the payment of sales taxes. The AOC will immediately notify via cc: Mail, the cardholder, approving official, and RPC, on any instances where sales taxes have been charged by the vendor.

The NPS expects the revised Purchase Card Manual to be released not later than June 30, 1997.

In October 1996, the Department of the Interior’s Office of Acquisition and Property Management (PAM) formally announced its new acquisition management control system called **QUIC**, “**Quality in Contracting**,” which replaces the traditional Acquisition Management Review (AMR) Program. The NPS will be piloting this new system at its Midwest Field Area in May, 1997. If successful, the new **QUIC** Program could also provide the means for determining the strengths and weaknesses as they pertain to NPS Governmentwide Purchase Card utilization.

2. To ensure that procedures are available for the receipt of goods purchased through telephone orders, the NPS has revised its manual to include such procedures in cases where someone other than the cardholder will be receiving the item called for. The procedures direct the cardholder to inquire if the vendor requires someone to sign the transaction receipt prior to picking up the order. If a signature is required, then the item must be picked up and signed for by the cardholder. If no signature is required, then someone else can receive the item. These procedures should provide clear direction and eliminate having someone other than the cardholder sign a receipt when the item is ordered by telephone when using the Government wide Purchase Card.

3. The NPS has reviewed its procedures for issuing the Governmentwide Purchase Card to Program personnel to determine if the cards are issued to the appropriate

personnel or determine if additional cards should be issued. As a result of this review, the NPS findings are that the procedures now in place are satisfactory. Currently, it is the nonprocurement Program Manager who determines which program staff will be a cardholder for his or her office, and who determines if additional cards are needed to carry on program functions. The Contracting Team provides the required guidance and training to the approving official and those selected as potential cardholders. The determination of who is “appropriate” and whether additional cards should be issued, is left to the Program Manager who wants to use the Purchase Card, rather than to those responsible for administration of the Purchase Card Program. While use of the Purchase Card by all Program Managers servicewide is desirable, use of the card is not mandatory. This responsibility for Purchase Card utilization provides the Program Manager the flexibility envisioned by the National Performance Review for acquisition reform.

If you have questions or require any additional information as they pertain to the response to this report, please contact Samuel W. Brown, Agency Program Coordinator and Manager, Contracts and Property Programs, at (202) 565-1160 or 565-1163.

STATUS OF AUDIT REPORT RECOMMENDATIONS

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
1	Management concurs; additional information needed.	Indicate how the need for thorough reviews by approving officials will be emphasized and how deficiencies identified during reviews by approving officials will be reported and corrected.
2	Management concurs; additional information needed.	Revise the purchase card manual to include procedures for how the signature of the noncardholder will be obtained.
3	Unresolved.	Provide a response to the revised recommendation. If concurrence is indicated, provide an action plan that includes target dates and titles of officials responsible for implementation. If nonconcurrence is indicated, provide reasons for the nonconcurrence.

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