



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

SURVEY REPORT

**USE OF THE
GOVERNMENTWIDE PURCHASE CARD,
OFFICE OF SURFACE MINING
RECLAMATION AND ENFORCEMENT**

**REPORT NO. 98-I-197
JANUARY 1998**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

JAN 16 1998

MEMORANDUM

TO: The Secretary

FROM: Robert J. Williams *Robert J. Williams*
Acting Inspector General

SUBJECT SUMMARY: Final Survey Report for Your Information - "Use of the Governmentwide Purchase Card, Office of Surface Mining Reclamation and Enforcement" (No. 98-I-197)

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

We concluded that, overall, the Office of Surface Mining's Governmentwide Purchase Card Program was managed in accordance with applicable laws, regulations, and guidelines. Therefore, we terminated the audit at the end of the survey. However, we did note several instances in which purchases were made of nonexpendable property over the required dollar limit and in which the warranted contracting officers were not conducting reviews of purchases as stated in the Department of the Interior's "Handbook for Utilization of the Governmentwide Commercial Credit Card." These conditions occurred, respectively, because established procedures were not complied with and Departmental guidance was not incorporated into the Office of Surface Mining's regulations and procedures. We made two recommendations to improve management and internal controls over the Program.

Based on the Office of Surface Mining's response to the draft report, we considered both recommendations resolved but not implemented.

If you have any questions concerning this matter, please contact me at (202) 208-4252.

Attachment



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

JAN 16 1998

SURVEY REPORT

Memorandum

To: Director, Office of Surface Mining Reclamation and Enforcement

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

Subject: Survey Report on Use of the Governmentwide Purchase Card, Office of Surface Mining Reclamation and Enforcement (NO. 98-I-197)

INTRODUCTION

This report presents the results of our review on the use of the Governmentwide purchase card at the Office of Surface Mining Reclamation and Enforcement. The original objective of the survey was to determine whether the Office of Surface Mining 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 and reduce 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 revised our objective to determine whether the Program was managed in accordance with applicable laws, regulations, and guidelines rather than effectively and economically.

BACKGROUND

In 1989, the General Services Administration awarded a contract to Rocky Mountain BankCard System (Rocky Mountain Bank) to provide purchase card services within the Federal Government. The card was intended to streamline the small purchase and payment process 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 purchase card policy. In October 1992, the Office of Surface Mining implemented the Governmentwide Purchase

Card Program and issued its own guidance, "Internal Procedures for Use of the Governmentwide Commercial Purchase Card Service." According to these internal procedures, the purchase card may be used for the acquisition of reasonably priced items needed for mission-related purposes within an employee's **official** duties. The purchase card cannot be used to obtain cash advances, travel-related tickets, meals, lodging, vehicle rentals, or telecommunications services or equipment or to purchase nonexpendable property costing over \$50. Also, purchases cannot be split to avoid the established purchase limits, and all items purchased must be immediately available; that is, no back ordering or partial shipment is permitted.

Rocky Mountain Bank submits to each cardholder a monthly statement that itemizes the cardholder's transactions. In accordance with **Office** of Surface Mining procedures, the cardholder, within 5 days of receiving the statement, must review and reconcile the transactions, certify that the transactions were recorded accurately, and provide the appropriate fund code to which the transaction should be recorded and a clear description of the items purchased. The cardholder is required to forward the certified statement and all applicable supporting documentation to the cognizant approving official. The approving **official** is responsible, within the next 5 days, for reviewing the monthly reconciliation of the cardholder's statement, verifying that all purchases were made in accordance with Government regulations, ensuring that funds were available before the cardholder made the purchases, and sending the statements to the Office of Surface Mining's Division of Financial Management for payment. The Division reconciles the total of each purchase card statement with an account summary listing provided by Rocky Mountain Bank. No statements are paid by the Division without being reviewed and approved by an approving **official**. The Bureau has also designated three Program coordinators to manage the Purchase Card Program Bureauwide.

As of March 1997, the Office of Surface Mining had 71 cardholders. In fiscal year 1996, **Office** of Surface Mining cardholders used the Government card to make purchases totaling approximately \$244,727. From October 1, 1996, to March 31, 1997, cardholders made purchases totaling \$386,455, a 58 percent increase over total purchases in fiscal year 1996.

SCOPE OF SURVEY

Our survey included purchases made with the Government card by **Office** of Surface Mining employees and included 322 monthly statements, valued at \$386,455, covering the period from October 1, 1996, through March 31, 1997. We randomly selected 45 (\$41,804) of the 322 monthly statements for review. The 45 statements were selected through a statistical random sample that consisted of 30 individual cardholders and 23 approving **officials**. We reviewed overall administration of the Program and records to determine whether acquisition procedures were complied with and whether disbursement records and purchases made on the card were supported. Survey fieldwork was conducted at the Office of Surface Mining's Mid-Continent Regional Coordinating Center, **Alton**, Illinois; the Western Regional Coordinating Center, Denver, Colorado; and the Division of Financial Management, Lakewood, Colorado, where the supporting documents were located. In addition, we

contacted three Program coordinators and the Rocky Mountain BankCard Center in Fargo, South Dakota.

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. As part of our survey, we reviewed the Department’s Accountability Report for fiscal year 1996, which includes information required by the Federal Managers’ Financial Integrity Act, to determine whether any reported weaknesses were within the objective and scope of our audit. We also evaluated the Office of Surface Mining’s system of internal controls related to purchase card activities and found that, overall, the Office of Surface Mining provided adequate management controls of the purchases made with the card. However, we did find some areas where improvements are needed. The improvements and recommended corrective actions are discussed in the Results of Survey Section of this report, and the recommendations, if implemented, should improve the internal controls in those areas discussed.

PRIOR AUDIT COVERAGE

Neither the Office of Inspector General nor the General Accounting Office has issued any reports that specifically addressed our survey objective since the Office of Surface Mining’s implementation of the Purchase Card Program in October 1992. However, the General Accounting Office report entitled “Acquisition Reform: Purchase Card Use Cuts Procurement Costs, Improves Efficiency” (No. GAO/NSIAD-96-138), issued in August 1996, 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 addressed to the Department.

RESULTS OF SURVEY

We concluded that, overall, the Office of Surface Mining’s Governmentwide Purchase Card Program was managed in accordance with applicable laws, regulations, and guidelines. Therefore, we terminated the audit at the end of the survey. However, we did note several instances in which purchases were made of nonexpendable property over the required dollar limit and in which the warranted contracting officers were not conducting reviews of purchases as stated in the Department’s “Handbook for Utilization of the Governmentwide Commercial Credit Card.” These conditions occurred, respectively, because established procedures were not complied with and Departmental guidance was not incorporated into the Office of Surface Mining’s regulations and procedures.

Nonexpendable Personal Property

The Office of Surface Mining's internal procedures provide that the purchase card may not be used to purchase nonexpendable personal property that exceeds \$50. However, we noted in our sample testing of 45 purchase card statements containing 225 transactions that 5 cardholders purchased 9 items, totaling \$4,740, of nonexpendable personal property which exceeded \$50. The property included a labeler, a printer, a projector, a shredder, ergonomic equipment, and a camera. Program coordinators said that these purchases occurred because the Office of Surface Mining's internal procedures limiting purchases for nonexpendable personal property to \$50 were "too restrictive" and that the limitation should be increased significantly. As such, we found that approving officials approved purchases that exceeded the \$50 limit because they relied on the Program coordinators' statements that the Office of Surface Mining was going to eliminate the \$50 restriction. We believe that the Office of Surface Mining should determine whether the \$50 limit restricts the effective use of the purchase card and adjust the value accordingly. In August 1997, the Office of Surface Mining provided us with a draft of its proposal to change its purchase card regulation by raising the purchase limit of nonexpendable property to \$999.99 per item. Regarding the proposed increase in the purchase limit, 1 of the 9 items that we found exceeding the \$50 limit was in excess of \$1,000. However, until this proposed change becomes effective, the cardholders should comply with the established limit.

Annual Reviews

Section XVI of the Departmental Handbook states that warranted contracting officers are to review and evaluate, at least once annually and preferably quarterly, the adequacy and accuracy of their respective office's records related to credit card acquisitions to ensure proper use of the credit card. However, during our testing, we noted that the Office of Surface Mining did not have warranted contracting officers conduct annual or quarterly reviews of purchases. Office of Surface Mining officials said that this occurred because its internal procedures did not require this review. In our opinion, the Office of Surface Mining should incorporate these reviews into its procedures because these reviews are an important management oversight tool which will help reduce the risk to the Office of Surface Mining that the purchase cards are misused and ensure compliance with Program requirements.

Recommendations

We recommend that the Director, Office of Surface Mining Reclamation and Enforcement:

1. Expedite finalization of the draft guidelines which increase the purchase card limit and ensure that all cardholders and approving officials comply with established Purchase Card Program policies and procedures for acquiring goods and services with the purchase card.
2. Require that card purchases are reviewed by a warranted contracting official at least annually, as described in Section XVI of the Departmental Handbook.

Bureau officials were provided a copy of the preliminary draft report on October 28, 1997. After reviewing the preliminary draft, the Bureau **officials** indicated that a formal exit conference was not required and subsequently provided a formal written response to the preliminary draft report on December 3, 1997 (Appendix 1).

The response **from** the Director, Office of Surface Mining, to the preliminary draft report generally concurred with the finding and the two recommendations. Based on the response, we consider Recommendations 1 and 2 to be resolved but not implemented. Accordingly, both recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Since the report's recommendations are considered resolved, no further response to the Office of Inspector General is required (see Appendix 2).

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, 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 Office of Surface Mining personnel in the conduct of our audit.



United States Department of the Interior

OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

Washington, D.C. 20240

DEC 1 1997

MEMORANDUM

To: Assistant Inspector General for Audits DEC - 3 1997
Through: Bob Armstrong, Assistant Secretary, Land and Minerals Management
From: Kathy Karpan, Director, Office of Surface Mining
Subject: Response to Preliminary Draft Survey Report on Use of the Governmentwide Purchase Card, Office of Surface Mining Reclamation and Enforcement, (Assignment No. C-IN-OSM-001-96)

Thank you for your memorandum of October 28, 1997 regarding the draft survey report entitled, "Use of the Governmentwide Purchase Card, Office of Surface Mining Reclamation and Enforcement (OSM) (Assignment No. C-IN-OSM-001-96)."

We have completed the review of the draft survey report, and appreciate the opportunity to provide comments to the two recommendations you offered. Our specific plans for implementing the recommendations are explained in the attachment. The Assistant Director for Finance and Administration will be the responsible **official** for carrying out the implementation Plan.

I.G. Recommendation No. 1

"Expedite finalization of the **draft** guidelines which increase the purchase card limit and ensure that all cardholders and approving officials comply with established Purchase Card Program policies and procedures for acquiring goods and services with the purchase card."

OSM Comment

On September 25, 1997, as an interim measure, the OSM cardholders were informed of the Acting Director's decision to allow non-warranted cardholders to use the I.M.P.A.C. card to purchase property limited to \$999.99 and less. This action raised the threshold **from** the previous \$50.00. A copy of the September 25, 1997, memorandum is attached.

OSM is currently revising the internal procedures to include current information related to the purchase card limit, and other information necessary to improve understanding of the guidance

and compliance with its requirements.

I.G. Recommendation No. 2

Require that card purchases are reviewed by a warranted contracting official at least annually, as described in Section XVI of the Departmental Handbook.

OSM Comment

Departmental guidance regarding annual reviews is incorporated within OSM's current internal procedures. Specifically, OSM's delegation of authority letter to the purchase card users incorporates reference of the Department of the Interior Policy Release (DIAPR) 90-35, "Handbook for Utilization of ~~Government-wide~~ Commercial Credit Card." Additionally, in Section XII of OSM's internal control procedures (see attached copy), the Agency Program Coordinators (APCs) are directed to perform annual audits on the purchase card usage. APCs are, in fact, warranted contracting officials in OSM. However, OSM's internal procedures do not specify that APCs are warranted contracting officials. OSM will clarify its internal procedures to assure that reviews of the credit card program will be consistently performed at least annually by a warranted contracting official.

OSM's goal is to establish clear and concise guidance which is consistently followed. OSM will incorporate the modifications described above, and other applicable procedures in a document to be finalized by March 1998.

If you have any questions concerning our response, please contact George Stone, Audit Coordinator, Office of Strategic Planning and Budget, at (202) 208-7840.

Attachments

[ATTACHMENTS NOT INCLUDED BY OFFICE OF INSPECTOR GENERAL.]

STATUS OF SURVEY REPORT RECOMMENDATIONS

Finding/Recommendation <u>Reference</u>	<u>Status</u>	<u>Action Required</u>
1 and 2	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.

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