



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

CONTROLS OVER CHECK WRITING



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OCT 31 2012

Memorandum

To: Pamela K. Haze
Deputy Assistant Secretary for Budget, Finance, Performance, and Acquisitions

From: Kimberly Elmore *Kimberly Elmore*
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Final Evaluation Report—Controls over Check Writing
Report No. C-EV-MOA-0009-2011

This memorandum informs you of our findings and recommendations for the controls over check writing in the U.S. Department of the Interior (Department). The objective of our review was to evaluate the internal controls related to third-party drafts (TPDs) and convenience checks. We evaluated these programs because of allegations of theft in the TPD program at Great Sand Dunes National Park near Mosca, CO. Our evaluation included TPD and convenience check programs at the Bureau of Land Management, National Park Service (NPS), and Bureau of Reclamation.

By law, the Department must pay invoices by electronic funds transfer. There are times, however, when the law allows payments by convenience checks connected to U.S. Government charge card accounts. Until the end of fiscal year (FY) 2011, some bureaus used TPDs to make these payments.

We found that NPS' TPD program had weaknesses in its policy and procedures and its implementation that included improper oversight and segregation of duties. Given our concerns about control weaknesses and allegations of fraud in the TPD program, we support NPS' decision to discontinue the program.

With NPS discontinuing its TPD program, all bureaus now use convenience checks connected to Government charge card accounts under certain circumstances. The policy and procedures for the convenience check program are stronger than those that existed in the TPD program. We did find, however, opportunities to further strengthen the convenience check program.

Background

Convenience checks are available as part of selected Government charge card accounts that are used to pay for goods and services in support of the Department's mission. Delegation of convenience check authority must be approved by the appropriate bureau procurement chief or

equivalent, or the chief's designee. As with the Government charge card, this authority is not transferable.

Check writers must complete training on convenience checks prior to receiving authorization to issue checks. All regulations, policies, special requirements, and approvals that apply to purchasing must be followed when using convenience checks. Convenience checks are limited to a maximum amount of \$3,000 for supplies; \$2,500 for services; \$2,000 for construction; \$10,000 for emergency incidents; and \$25,000 for the Alaska Fire Crew.

A check fee of 1.9 percent of the dollar amount of each check written is applied. Because of this fee, as well as Federal (31 C.F.R. § 208) and Department policy, convenience checks may only be used under certain circumstances. Convenience checks may be used when charge cards are not accepted by a merchant, for emergency incident response, and for other approved purposes that comply with the Debt Collection Improvement Act of 1996.

Convenience checks include an original and a carbon copy or equivalent that must be retained as an official Government record. Supporting information must be attached to the copy and marked "Paid by Convenience Check," along with the check number. The check copy, all original receipts, and original supporting documentation must be centrally filed with the original statement of account in accordance with bureau or office records retention policy. Cleared checks are not returned to the account holder. Check images may be viewed and printed in PaymentNet, J.P. Morgan Bank's electronic access system. In addition, each convenience check and charge card transaction must be entered into a register for tracking.

Findings

Overall, we found that the controls over the use of convenience checks, if implemented in accordance with established procedures, are superior to the controls that were in place for TPDs. Specifically, convenience check procedures throughout the bureaus we evaluated include—

- a detailed review of monthly charge card statements requiring approving officials to review each transaction;
- a monthly program review by the agency/organizational program coordinator; and
- retaining the original receipts along with a carbon copy of the check as supporting documentation for each check written.

Each of the above controls, if implemented, should help reduce the threat of fraud, waste, or abuse in the check-writing program.

The Department is also starting a new pilot program that includes a process to reconcile DOI charge cards and convenience check purchases electronically. The Office of the Inspector General will be testing the pilot program. The Office of Inspector General will work with the Department to ensure that internal controls are in place with the electronic charge card reconciliation.

Government charge card training includes convenience check training for check writers and their approving officials. The current minimum requirement for charge card training is once every 3 years. We were told by the Department that it is considering requiring check writers and approving officials to complete this training more frequently. Even with well-designed procedures, more-frequent training would promote fraud awareness and reinforce the importance of each person's role in the control system.

Recommendations

To enhance internal controls and to ensure awareness of these controls, we recommend the following:

1. All bureaus should evaluate their monthly reconciliation processes, considering lessons learned from the Department's pilot program.
2. The Department should require Government charge card training for check writers and their approving officials more frequently than the current minimum of every 3 years.

Department's Response

The Department concurred with both recommendations (Attachment 1). Concerning Recommendation 1, the Department noted that it has already planned a pilot program for online cardholder reconciliation and approving officials' approvals. It will implement the pilot throughout FY 2013 and evaluate the pilot in FY 2014.

Concerning Recommendation 2, the Department said it would further enhance training for cardholders, approving officials, and agency program coordinators by requiring annual refresher training. In addition, it said it will—

- require cardholders to sign Rules of Behavior for charge card use;
- issue periodic, all-employee email to remind cardholders of responsible use;
- update the Department's charge card policy in FY 2013; and
- in FY 2014, design and implement training for mandatory, annual online training for cardholders.

We consider both recommendations resolved but not implemented (Attachment 2). The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Scope and Methodology

We conducted this evaluation in accordance with "Quality Standards for Inspections" by the Council of Inspectors General on Integrity and Efficiency. We visited four offices within the three bureaus. We reviewed policies and procedures and interviewed officials responsible for the charge card and TPD programs. We believe that the work we performed provides a reasonable basis for our conclusions and recommendations.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

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



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

Attachment 1

OCT - 5 2012

To: Kimberly Elmore
Assistant Inspector General - Audits, Inspection, and Evaluations

Through: Pamela K. Haze *Pamela Haze*
Deputy Assistant Secretary - Budget, Finance, Performance and Acquisition

From: *for* Debra E. Sonderman *Kathryn L Bender*
Director, Office of Acquisition and Property Management

Subject: Response to Office of Inspector General (OIG) Draft Evaluation Report, *Controls over Check Writing* (Report No. C-EV-MOA-0009-2011)

Thank you for the opportunity to review the OIG draft evaluation report, *Controls over Check Writing* (Report No. C-EV-MOA-0009-2011). In the draft report, the OIG outlines several findings and communicates two recommendations. The Department's response to the recommendations, including planned corrective actions, follows:

Recommendation 1: All bureaus should evaluate their monthly reconciliation processes, considering lessons learned from the Department's pilot program.

Management's Response: The Department concurs. As noted in the draft OIG report, actions are already underway to pilot online cardholder reconciliation and approving official approvals, using the JP Morgan PaymentNet electronic access system. PAM will work with the bureaus to pilot online reconciliations and approvals Department-wide throughout FY 2013. During FY 2014, PAM will collaborate with the bureaus to assess the results of the pilot and develop an appropriate plan for Department-wide implementation.

Target Pilot Completion Date: September 30, 2014

Target Implementation Date: To be determined. Timeline will be established after assessing the results of the pilot.

Responsible Official: David Carter, Charge Card Program Manager, PAM.

Recommendation 2: The Department should require Government charge card training for check writers and their approving officials more frequently than the current minimum of every 3 years.

Management's Response: The Department concurs. DOI policy is in compliance with OMB Circular A-123, Appendix B, revised January 15, 2009, entitled *Improving the Management of Government Charge Card Programs*, which requires mandatory training for current cardholders

and refresher training every three years for current cardholders, approving officials, and agency program coordinators. However, to further reinforce this requirement and to enhance charge card training, the Department supports implementation of mandatory refresher training on an annual basis.

By December 15, 2012, PAM will coordinate with DOI Learn to implement an annual self-certification requirement for all cardholders by requiring cardholders to sign a Rules of Behavior document for charge card use. The Department will also issue periodic all-employee e-mail communications reminding cardholders of the expectations for responsible charge card use. During FY 2013, PAM will update the DOI Charge Card policy; and will work collaboratively with the bureaus and DOI Learn in FY 2014 to design and implement training modules for mandatory annual online training for cardholders.

Target Completion Dates: December 15, 2012, for Rules of Behavior certification; and September 30, 2014, for implementation of annual mandatory online training.

Responsible Official: David Carter, Charge Card Program Manager, PAM.

Thank you for the opportunity to comment. If you have further questions or require additional information, please contact David Carter at (202) 254-5550 or by email at david_carter@ios.doi.gov.

Status of Recommendations

In response to our draft report, the Department concurred with both of our recommendations and agreed to implement them. The response included corrective action plans and an action official for each recommendation (Attachment 1). We consider both recommendations resolved and not implemented.

| Recommendations | Status | Action Required |
|------------------------|---------------------------|---|
| I and 2 | Resolved, not implemented | The recommendations will be referred to the Assistant Secretary, Policy, Management, and Budget for tracking of implementation. |