



## CARES Act Flash Report

# Lessons Learned for Purchase Card Use

### The DOI received

**\$909.7 million**

**under the CARES Act to respond to impacts from COVID 19:**

- **\$453 million** for the Bureau of Indian Affairs
- **\$157.4 million** for DOI operations (Office of the Secretary)\*
- **\$222.7 million** for the Bureau of Indian Education **\$69 million** from the DOI and **\$153.7 million** from the U.S. Department of Education
- **\$55 million** for the Office of Insular Affairs
- **\$12 million** for the Bureau of Reclamation (BOR) water resources
- **\$8.1 million** for the BOR policy and administration
- **\$1 million** for the Office of Inspector General (OIG)
- **\$500,000** for the BOR Central Utah Project Completion Act

\* The Office of the Secretary transferred funds to the National Park Service, U.S. Fish and Wildlife Service, and Bureau of Land Management.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). To date, the CARES Act has provided the U.S. Department of the Interior (DOI) with \$909.7 million, which includes direct apportionments totaling \$756 million and a \$153.7 million transfer from the U.S. Department of Education.

DOI programs and bureaus have used Government purchase cards to make expenditures, some coded specifically to CARES Act funds and some coded as "COVID-19." As of July 26, 2020, CARES Act purchases totaled \$3.1 million and COVID-19-related purchases totaled \$8.5 million (see Figure 1). The COVID-19 amounts are not charged to CARES Act funds, and as part of future transaction reviews the DOI may make adjustments to properly classify these expenditures as use of CARES Act funds.

**Figure 1: Purchase Card Spending as of July 26, 2020**

Bureau	CARES Act (\$)	COVID-19 (\$)	Total (\$)
BIA	1,201,312	2,356,899	3,558,211
BLM	376,735	954,783	1,331,518
BOR	651,119	6,240	657,359
FWS	99,195	1,093,382	1,192,577
NPS	810,564	3,631,058	4,441,622
Other	0	457,231	457,231
<b>Totals</b>	<b>\$3,138,925</b>	<b>\$8,499,593</b>	<b>\$11,638,518</b>

**Abbreviations:** BIA = Bureau of Indian Affairs • BLM = Bureau of Land Management • BOR = Bureau of Reclamation • FWS = U.S. Fish and Wildlife Service • NPS = National Park Service

In May 2018, the Office of the Secretary increased the micropurchase threshold from \$3,500 to \$10,000; however, for response to an emergency or major disaster such as COVID-19, the micropurchase threshold was increased to \$20,000 for purchases made inside the United States and \$30,000 for purchases made outside the United States. These increased thresholds, combined with the fluid nature of any disaster or emergency situation, heighten the risk of fraud and abuse and necessitate even greater oversight.



## Governmentwide Issues

The U.S. Government Accountability Office (GAO) has identified insufficient documentation as a Governmentwide issue. Specifically, in a 2017 report, the GAO found that 22 percent of Governmentwide transactions did not have complete documentation to support the approval process.

In 2019, the Congressional Research Service found the following weaknesses in the use of Government purchase cards:

- Ineffective transaction review and approval processes
- Inconsistent program monitoring
- No separation of duties
- Inadequate training
- Excessive number of cards issued and high credit limits

In this report we present lessons learned and risks identified in our prior work—both audits and investigations—that the DOI should consider as it uses purchase cards to spend CARES Act funds.<sup>1</sup> We have found that the following factors are crucial for successful oversight of purchase cards transactions:

- Ensuring sufficient documentation for purchases
- Timely reviews and approvals of statements or transactions
- Using mandatory sources for purchases
- Training cardholders and approving officials

## Ensure Sufficient Documentation

Our past work has identified instances of cardholders not providing sufficient documentation to support purchases. Documentation is required by law and DOI policy and is essential in helping to prevent or detect potential fraud or misuse, especially for higher risk disaster relief or emergency funding.

In our last three purchase card audits, we found insufficient documentation. Specifically, in a 2016 audit, we found that out of the 355 transactions reviewed across the DOI, 15 (or 4 percent) did not have the required supporting documentation. In a March 2019 audit, we found that out of the 100 transactions reviewed across the DOI, 24 (or 24 percent) did not have the required documentation. Based on this finding, we projected that 6,312 of the 26,302 high-risk transactions were missing the required documentation.

In a November 2019 audit, we found that out of the 282 purchase card transactions we reviewed across the DOI, 53 (or 19 percent), totaling \$393,095, did not have the required documentation. We are in the process of auditing purchases using disaster relief funds and have found the same issue. Specifically, we found that out of 1,299 transactions reviewed at the Bureau of Reclamation, U.S. Fish and Wildlife Service (FWS), National Park Service, and U.S. Geological Survey (USGS), 53 (or 4 percent) did not have the required documentation. While we saw improvement, our 2019 audits demonstrate that continued diligence is needed to ensure purchases are supported.

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**Key Action:** Ensure sufficient documentation for transactions, including what was purchased, by whom, and for what purpose.

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<sup>1</sup> On June 24, 2020, we briefed the DOI Charge Card Program Manager on issues the DOI should consider as it uses purchase cards to spend CARES Act funds.



## Purchase Card Misuse and Abuse

Intentional use of a Government purchase card for other than official business is misuse, and may be fraud. Examples of misuse include purchases that:

- Exceed the cardholder's limit
- Are not authorized by the agency
- Are made without available funds
- Are for personal use
- Do not comply with agency policies

## Purchase Card Fraud

Fraud is intentional deception for personal or monetary gain. Indicators of purchase card fraud include:

- Receipts that have been altered or are illegible
- Unauthorized weekend purchases
- Lack of proper approvals and periodic reviews of purchases and inventory records
- Numerous missing invoices, receipts, and purchase justifications
- Purchases at, or slightly below, the micropurchase threshold

## Conduct Timely Reviews and Approvals of Statements or Transactions

When supervisors conduct timely reviews, they can identify potentially questionable transactions soon after they are made. Such early identification can stop further questionable transactions and keep more funds from being misused. In past work we have found that reviews and approvals of statements or transactions were not done in a timely manner or at all.

In a 2016 audit, we found that out of the 267 purchase card statements we reviewed across DOI bureaus, 36 (or 13.5 percent) were not reconciled within 30 days of the statement date by the cardholders, and 67 statements (25.1 percent) were also not reconciled by the approving officials within the required 30 days.

In a 2019 investigation, we found that a USGS approving official was able to prevent an employee from making additional fraudulent charges by reviewing transactions in real time. This real-time review identified that the employee had charged more than \$14,000 for personal items and services. The employee subsequently resigned after being confronted by supervisors and the approving official.

In a 2018 investigation, we found that an FWS cardholder made unauthorized purchases of supplies between 2013 and 2017 totaling \$6,000 and used them for work that was outside the scope of her assigned duties and unauthorized by her supervisors. The only reason this was discovered was that in 2016 a new supervisor conducted timely reviews and asked repeatedly for the purchase card statements from the employee, who acknowledged she had fallen behind in providing the statements to her supervisor.

In a 2019 audit, we noted that because of a change in vendors, after November 2018, DOI cardholders and approving officials no longer had access to an online system to review and approve transactions and could not review transactions until the paper statement was issued. Prior to the change, transactions were often reviewed earlier than the required 30 days after the statement date, via the bank's online system.

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**Key Action:** Establish real-time monitoring for Government charge card transactions and make monitoring available to all levels of reviewers to help identify fraud, waste, and abuse in a timely manner.

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## Use Mandatory Sources for Purchases

We contributed to a 2018 Council of the Inspectors General on Integrity and Efficiency (CIGIE) report examining risks associated with U.S. Government purchase card transactions, which found deficiencies in purchases made using nonmandatory sources. Out of



## Detecting Fraud

Cardholders should review card statements to:

- Look for transactions they do not recall making
- Check for unknown vendors
- Identify account withdrawals they do not remember making

## Preventative Measures

The DOI and its bureaus can take the following preventative measures to reduce fraud, waste, and abuse related to use of purchase cards:

- Set credit limits
- Block specific merchant category codes
- Define the agency/organization program coordinator for each bureau
- Train staff on roles and responsibilities
- Deactivate cards not in use
- Review transactions
- Limit the number of personnel who can make purchases

the 1,255 transactions sampled, 14 Offices of Inspector General (OIGs) identified 531 potential transactions in which cardholders may not have procured supplies or services through mandatory sources when they were available and instead acquired supplies or services from nonmandatory (i.e., unauthorized) third-party merchants. Together the OIGs found 250 transactions that did not follow policies to use mandatory sources (or 19.9 percent of the total 1,255 transactions). We found that in 65 of the 100 DOI transactions we reviewed, cardholders used third-party vendors such as Amazon or PayPal and did not document whether they explored required Federal supply sources, such as the U.S. General Services Administration (GSA), before making the purchases. The GSA considers online transactions that are made using third-party vendors, such as Amazon or PayPal, to be high-risk transactions.

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**Key Action:** Cardholders should acquire supplies and services from required sources whenever possible. When purchasing from a third-party vendor, the cardholder should make sure the vendor is well known or the agency has a positive purchase history with the vendor.

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## Train Cardholders and Approving Officials

We have learned from our prior work that training could help cardholders and approving officials detect and prevent purchase card misuse. Annual training helps ensure that cardholders and managers understand their roles and responsibilities and stay informed of any changes or updates to the purchase card program.

During the 2019 investigation mentioned above, first-line supervisors and approving officials told us that they did not have the training to identify fraud schemes and abuse indicators and were not aware of all the resources available to them. While the USGS was able to prevent its former employee from making additional charges through the use of budgeting software, it could have identified the problem up to 21 days earlier (when the initial purchase card misuse occurred) if reviewers had received training on fraud indicators and available resources.

In a 2019 audit, we found that 232 out of 267 cardholders DOI-wide had not documented completion of the annual training in the DOI tracking system as required by policy. The DOI took corrective action to improve its documentation and tracking of purchase card training.

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**Key Action:** Train all cardholders and approving officials on their roles and responsibilities, including the requirement to report all suspected fraud, waste, and abuse immediately to the OIG. In addition, train all reviewers on fraud indicators and reporting requirements to combat misuse.

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