



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

May 17, 2005

AUDIT CLOSEOUT MEMORANDUM

TO : Nina S. Rees
Assistant Deputy Secretary
Office of Innovation and Improvement (OII)

FROM : Michele Weaver-Dugan, Director /s/
Operations Internal Audit Team
Office of Inspector General

SUBJECT : Closure of our Audit of Controls Over Purchase Cards in OII
Control Number ED-OIG/A19F0012

This memorandum advises you of the results of our audit of *Controls over Purchase Card Use in OII*. The objectives of our audit were to assess the current effectiveness of internal control over the purchase card program and the appropriateness of current purchase card use in OII. This audit is part of a review of the purchase card program being performed Departmentwide.

To accomplish our objectives, we performed a review of internal control applicable to OII's administration and management of its purchase cards. We reviewed policies and procedures applicable to the purchase card program, including internal guidelines developed by OII. We conducted interviews with staff in the Office of the Chief Financial Officer (OCFO) and OII to obtain an understanding of the purchase card program. We evaluated training records for staff participating in the purchase card program. The scope of our review included purchases made during the period July 1, 2003, through June 30, 2004, by Department cardholders located in Washington, DC. As part of the Department-wide transactions selected, we reviewed three purchases made by two OII cardholders, at a total cost of \$3,131. This represents 3.0 percent of the total number and 7.8 percent of the total amount of transactions made by OII cardholders during the period. To test controls and evaluate the appropriateness of purchase card use, we reviewed supporting documentation provided by OII staff for the purchases selected.

We found that OII was in compliance with Department requirements for documentation to support purchase card transactions. However, we also noted the following minor issues:

- One transaction did not include the Activity Log Report and the Statement Transactions Report required by OII Purchase Card Guidelines.
- The Executive Officer had not completed purchase card training as required by Department Directive OCFO 3-104, "Government-wide Commercial Purchase Card Program."
- On February 23, 2005, OCFO sent to all cardholders and approving officials a detailed list of all unreconciled transactions for the period July 2001 through January 2005. This list included 22 OII transactions, the oldest of which was from July 2001.

We suggest that OII ensure documentation is maintained to support purchases in accordance with its internal guidelines, and that staff complete purchase card training as required by Department policy. In addition, we suggest that OII work with OCFO to resolve the unreconciled transactions.

Our limited review would not necessarily disclose all material weaknesses in the administration of the purchase card program in OII. Accordingly, this memorandum should not be construed as acceptance or approval of OII's practices and procedures related to controls over purchase cards. Since the extent of our review in OII was limited to the OII transactions included in the Department-wide audit, our results cannot be projected to the universe of OII purchases. We may conduct further reviews of this area in OII at some future date. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

We wish to express appreciation for the cooperation and assistance extended by your staff during the review. Should you have any questions regarding this review, please contact Nancy Brown, Assistant Director, at (202) 245-6934 or me at (202) 245-6941. No response to this memorandum is required.

cc: Margo Anderson, Executive Officer, OII
Liza Araujo-Rouse, Audit Liaison Officer, OII
Cynthia Bond-Butler, Audit Liaison Officer, OCFO