

**Memorandum**

Date FEB 19 1992

From Deputy Inspector General  
for Audit Services

Subject Audit Report - Centers for Disease Control Small Purchases  
(A-04-90-04016)

To William L. Roper, M.D.  
Director, Centers for Disease Control

Attached is a final report on the results of our audit of Centers for Disease Control (CDC) small purchases. During Fiscal Year 1989, CDC purchases totaled \$51 million. Small purchases accounted for 91 percent of the total purchase dollars or about \$46.4 million. Small purchases are the acquisition of supplies, nonpersonal services, and construction from commercial sources in amounts that do not exceed \$25,000 in the aggregate. Small purchase procedures involve the use of imprest funds, purchase orders, and blanket purchase agreements.

The objective of our review was to determine if small purchase acquisitions were being accomplished in a manner that is effective, efficient, economical, and in accordance with Federal Acquisition Regulations (CFR 48, Part 13, Small Purchases and Other Simplified Purchase Procedures).

Our review disclosed minor procedural and clerical discrepancies which we have discussed with responsible CDC officials. The discrepancies related to: (1) improper object class designations, and (2) inappropriate contracting officer signatures on purchase orders.

We are recommending that CDC's contracting officers routinely verify the accuracy of object class designations so that the resulting accounting information and reports will reflect the goods and services purchased. We are also recommending that the CDC's Procurement and Grants Office assure proper adherence to the contracting officers' signature requirements. Based on our discussions with CDC officials, they have strengthened control procedures over contracting officer signatures on purchase orders.

The CDC officials agreed with the findings contained in this report. All employees were counseled on appropriate procedures to be followed for this as well as corrective action for improper object classifications, the other minor discrepancy noted. A copy of CDC's response is included as an attachment to the report.

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Any questions or further comments on any aspects of the report are welcome. Please address them to Daniel W. Blades, Assistant Inspector General for Public Health Service Audits, at (301) 443-3583. To facilitate identification, please refer to the above common identification number in all correspondence relating to this audit.

  
Thomas D. Roslewicz

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF CENTERS FOR DISEASE  
CONTROL SMALL PURCHASES  
ATLANTA, GEORGIA**



Richard P. Kusserow  
INSPECTOR GENERAL

A-04-90-04016

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for Audit Services

Subject Audit Report - Centers for Disease Control Small Purchases  
(A-04-90-04016)

To William L. Roper, M.D.  
Director, Centers for Disease Control

This report provides you with the results of our audit of Centers for Disease Control (CDC) small purchases. Small purchases are the acquisition of supplies, nonpersonal services, and construction from commercial sources when the aggregate amount involved in any one transaction does not exceed \$25,000. Small purchase procedures involve the use of imprest funds, purchase orders, and blanket purchase agreements.

The objective of our review was to determine if small purchase acquisitions were being accomplished in a manner that is effective, efficient, economical, and in accordance with Federal Acquisition Regulations (FAR) (CFR 48, Part 13, Small Purchases and Other Simplified Purchase Procedures).

Our review disclosed minor procedural and clerical discrepancies which we have discussed with responsible CDC officials. The discrepancies related to: (1) improper object class designations, and (2) inappropriate contracting officer signatures on purchase orders.

We are recommending that CDC's contracting officers routinely verify the accuracy of object class designation so that the resulting accounting information and reports will reflect the goods and services purchased. We are also recommending that the CDC's Procurement and Grants Office (PGO) assure proper adherence to the contracting officers' signature requirements. Based on our discussions with CDC officials, they have strengthened control procedures over contracting officers' signatures on purchase orders.

BACKGROUND

The FAR is the primary regulation for use by all Federal executive agencies in their acquisition of supplies and services with appropriated funds. The purpose of the FAR at Part 13, is to prescribe simplified procedures for small purchases in order to: (1) reduce administrative costs and (2) improve opportunities for small business concerns and disadvantaged business concerns to obtain a fair proportion of Government contracts.

During Fiscal Year (FY) 1989, CDC purchases totaled \$51 million. Small purchases accounted for 91 percent of the total purchase dollars or about \$46.4 million.

The PGO, within CDC's Office of Program Support in Atlanta, Georgia, is primarily responsible for all purchasing activity at CDC, including small purchases. The PGO: (1) advises the CDC Director and his staff; (2) provides leadership and direction for CDC acquisition and material management activities; (3) plans and develops CDC-wide policies, procedures, and practices in acquisition, assistance, and material management areas; (4) obtains research and development, services, equipment, supplies, and construction through acquisition and assistance processes; (5) maintains functions relating to personal property, transportation, and warehousing operations; (6) awards, administers, and terminates contracts, purchase orders, grants, and cooperative agreements; (7) maintains a continuing review of CDC-wide acquisitions, assistance, and material management operations to ensure adherence to laws, policies, procedures, and regulations; and (8) maintains liaison with other Federal agencies on acquisition, assistance, and material management policy, procedure, and operating matters.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine if small purchase acquisitions were effective, efficient, economical, and in accordance with the FAR and Health and Human Services (HHS) procurement regulations. Our review, which was done in accordance with generally accepted Government auditing standards, was performed at the offices of CDC in Atlanta, Georgia, from May 1990 to October 1990.

To accomplish the audit objectives, we:

- o Reviewed the requirements of the FAR, Part 13 - Small Purchase and Other Simplified Purchase Procedures.
- o Reviewed the work performed by others relating to the review of small purchase procurements.

- o Reviewed the procurement system internal control environment. We considered the following controls to be significant within PGO: selection of the appropriate award instrument (acquisition, contract, grant, or cooperative agreement), awarding a fair portion of the total procurements with small business concerns (especially minority and disadvantaged businesses), proper stewardship and accountability of capitalized and sensitive equipment, adherence to solicitation procedures, and the internal dollar limitations on procurements that are imposed on PGO's contracting officers. We evaluated each of these areas.
- o Reviewed a statistically valid sample of 200 purchase orders out of 24,725 issued in FY 1989 by PGO to determine whether written procedures and controls, as well as regulatory requirements, were being followed. The controls in place at the time of our audit were the same as those controls in operation during FY 1989. We tested these purchase orders for proper signatures, appropriate object classes, mathematical accuracy, procurement limitations of the contracting officers, program office authorizations, adherence to competitive procurement requirements, required stipulations on the face of the purchase orders, and whether the information on the purchase order matched the information found in the official accounting records.
- o Reviewed a judgmental sample of approximately 450 additional transactions. We tested for items similar to those tested in the sample of 200. The basis for selection of these transactions were that the amounts were greater than \$5,000 (the threshold for capitalization), and the object class indicated non-capitalized equipment. Illogical combinations of object class and dollars obligated were also evaluated.

#### FINDINGS AND RECOMMENDATIONS

The CDC's small purchases during FY 1989 were appropriate, complied with Federal procurement regulations, and were in the best interest of the Government. Except for some errors in object class designations and contracting officer signatures, small purchase acquisitions were being accomplished in a manner that is effective, efficient, economical, and in compliance with the provisions of the FAR and HHS procurement regulations.

#### Object Class Designations

Object class designations are usually made by the requesting program office when a requisition is submitted to the PGO to place an order for goods or services. The requesting offices

made 17 incorrect object class designations in our sample of 200 purchase orders. Object classes are four digit, alpha/numeric codes that describe the goods or services being acquired. These object class designations are found in the Departmental Accounting Manual, Chapter 4-50-30. These codes are also used uniformly throughout the Federal Government. Some examples of object class designations are: 259L - laundry and towel services; 2563 - services from commercial sources to provide Automated Data Processing applications; and 2564 - maintenance agreements and repairs for leased or owned equipment.

Object classes should accurately reflect the goods or services purchased in the accounting system. This information is needed for reporting to the Office of Management and Budget on how HHS appropriations are spent. The object class codes and the resulting report of obligations are ultimately used by program officials in making decisions regarding additional acquisitions and whether budgetary limits are being exceeded. While the object class selected by the program office was close to describing the articles or services actually purchased, a more appropriate object class should have been used.

Recommendation: We recommend that contracting officers routinely verify the accuracy of the pre-selected object classes so that the resulting accounting information and reports will reflect the goods and services purchased.

CDC's Comments: All employees were counseled on corrective action for improper object classifications.

Signature of Contracting Officer on Purchase Orders

On 26 of the 200 sampled purchase orders, we found that the signatures of contracting officers on the purchase orders were different from the majority of other signatures on file for these same persons. The value of these 26 purchase orders was \$9,768. The FAR (48 CFR Section 4.101) states that only contracting officers shall sign contracts on behalf of the United States. Some contracting officers are limited by CDC as to the amounts that they are authorized to purchase. Unauthorized signatures would violate this control and could render the intended purchase invalid.

It was further determined that no fraud or illegal acts were intended or had occurred. The contracting officers had actually handled all of the procurement details with the vendor such as quantity, price, delivery terms, and competitive procurement. When the typed purchase order was ready to be sent to the vendor, the contracting officer was not physically present and someone else in the contracting office actually affixed the contracting officer's signature to

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the purchase order. Officials at CDC assured us that this administrative error in judgement would not occur again.

Recommendation: We recommend that the PGO assure proper adherence to the contracting officer's signature requirements.

CDC's Comments: Controls were strengthened immediately to assure that appropriate signatures are on all purchase orders.

  
Thomas D. Roslewicz





**Memorandum**

JUL 22 1991

Date

From Director  
Centers for Disease Control

Subject Centers for Disease Control Small Purchases (A-04-90-04016)

To Thomas D. Roslewicz  
Deputy Inspector General for Audit Services

Thank you for the opportunity to review the draft report on small purchases. One editorial correction is noted on page 4, next to last paragraph. The third sentence should end "...actually affixed the Contracting Officer's signature to the purchase order."

You have correctly concluded that controls were strengthened immediately to assure that appropriate signatures are on all purchase orders. All employees were counselled on appropriate procedures to be followed for this as well as corrective action for improper object classifications, the other minor discrepancy noted.

William L. Roper, M.D., M.P.H.