



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL

400 MARYLAND AVENUE, S.W.  
WASHINGTON, DC 20202-1500



April 7, 2006

**Control Number**  
**ED-OIG/A19E0018**

William McCabe, Acting Chief Financial Officer  
Office of the Chief Financial Officer  
U.S. Department of Education  
Office of the Chief Financial Officer  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202

Dear Mr. McCabe:

This **Final Audit Report**, entitled *Department of Education Controls over Purchase Card Use*, presents the results of our audit. The purpose of the audit was to (1) determine whether recommendations from prior purchase card reviews were implemented, and (2) assess the current effectiveness of internal control over the purchase card program and the appropriateness of current purchase card use. Our review included purchases made by Washington, DC, cardholders during the period July 1, 2003, through June 30, 2004.

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## BACKGROUND

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The Government purchase card is a less costly and more efficient way for offices and organizations to purchase needed goods and services directly from vendors. The purchase card eliminates the need to process purchase requests through procurement offices and avoids the administrative and documentation requirements of traditional contracting processes. The Department of Education (Department) selected Bank of America to provide purchase card support and services.

The Office of the Chief Financial Officer (OCFO), Contracts and Acquisitions Management (CAM), coordinates the purchase card program within the Department and acts as the liaison with Bank of America. Executive Officers are responsible for administering the purchase card program in individual Principal Offices (POs). Approving Officials (AOs) and Alternate Approving Officials (AAOs) are appointed by the Executive Officers and are the primary officials responsible for authorizing cardholder purchases and ensuring timely reconciliation of cardholder statements.

On October 13, 2000, the Office of Inspector General (OIG) issued a report entitled, *Results of the OIG Review of Internal Controls Over the Use of Purchase Cards and Third Party Drafts* (Control Number A&I 2000-15). OIG reported a number of weaknesses in internal control over purchase cards, including that cardholders did not always maintain documentation to support purchases, approving officials did not always document review of purchase card statements, procurement staff were not fully aware of their responsibilities, Department guidelines needed to be updated, and training needed to be improved. In FY 2001 and FY 2002, OIG conducted additional reviews and found the Department had taken corrective actions to address the issues noted in the prior reviews. In the most recent audit report, issued April 2002, OIG made recommendations in two additional areas – to reduce the numbers of cardholders assigned to each AO, and to develop guidelines and conduct on-site internal control reviews of purchase card activity. (See Attachment 1 for a summary of prior OIG reports issued.)

We performed this audit to assess the effectiveness of the current controls over the purchase card program. We also followed up on the additional recommendations made in the April 2002 audit to determine whether corrective actions had been implemented. Our audit work assessed the effectiveness of corrective actions taken as a result of the prior OIG reviews and identified whether further corrective action was needed to address any previously reported internal control weaknesses. As part of this audit, we issued 16 reports to PO officials to address issues noted in the PO-level reviews. (See Attachment 2 for a list of PO-level reports issued.) This report summarizes the results of all work performed and presents recommendations to improve overall management of the purchase card program.

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## AUDIT RESULTS

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We found OCFO had improved controls over the program and implemented corrective actions in response to the prior OIG reviews, with one exception. In April 2002, OIG recommended that OCFO develop guidelines and conduct on-site reviews of purchase card activity. We found this action was taken for a limited period only, with the last review conducted in July 2002. While CAM performs quarterly reviews of selected purchase card activity, CAM staff stated they do not have the resources to perform on-site reviews.

To address our second objective, we reviewed transactions made by Headquarters cardholders across 16 POs. We did not identify any inappropriate purchases – purchases that appeared to be for personal use, or for other than the official business of the Department. However, we found internal control over documentation required to support purchases should be improved. This issue was also included in the OIG report issued October 13, 2000. As a result, the Department's assurance that purchases were appropriate and were made in accordance with Federal regulations and Department policies and procedures is reduced. Failure to document receipt of goods and services could result in payment for items that were ultimately not provided to the Department. Approving purchases without reviewing adequate supporting documentation increases the Department's vulnerability to potential misuse or waste of government resources.

In its response to the draft audit report, OCFO concurred with the recommendations and provided a proposed corrective action plan to address each recommendation. The complete text of OCFO's response is included as Attachment 6 to this audit report.

### **Finding – The Department Needs To Improve Internal Control to Ensure Required Documentation Is Obtained and Maintained to Support Purchase Card Transactions**

We found cardholders did not obtain and maintain required documentation to support purchases in 239 of the 359 transactions reviewed (67 percent). Specifically,

- 62 purchases (17 percent) were not supported by a written request,
- 17 purchases (5 percent) were not supported by a record of purchase, and
- 191 purchases (54 percent) were not supported by a record of receipt.<sup>1</sup>

We also found cardholders did not have documentation of special clearances or approvals required for 15 purchases of advertisements, furniture, and software. See Attachment 4 for the numbers of transactions reviewed for each PO, and Attachment 5 for the error rate in each office reviewed.

Department Directive (Directive) OCFO: 3-104, *Government-wide Commercial Purchase Card Program*, dated January 23, 2002, Section VI, defines cardholder and AO responsibilities. The Directive states,

H. The Cardholder is responsible for . . . 2. Purchasing goods or services in accordance with established Department policy, procurement regulations, and individual internal office procedures . . . 6. Providing documentation to support purchases for AO approval and official record keeping. This documentation includes receipts, invoices, logs, etc.

F. An Approving Official (AO) is responsible for . . . 6. Reviewing, validating, and approving for payment the Cardholder's reconciled bank statement each billing cycle . . . 14. Reviewing all management reports of Cardholder activity under his or her authority . . . 15. Reviewing appropriateness of purchases. This includes determining individual purchases are appropriate, that the goods or services were properly received and accepted, and that the payment was proper. . . .

Section VII.A.7 of the Directive further states, "The Cardholder should secure a written request (email or requisition) from the appropriate Department employee requesting the Cardholder to procure goods or services."

OCFO Procedure CO-097, *Procedure for Buying, Using a Government Commercial Purchase Card*, revised March 2003, Section 10.d, states,

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<sup>1</sup> Some purchases were missing more than one of the required documents.

Retain data supporting the purchases (including records of oral quotations). Keep your files neat, up-to-date, and easily retrievable. Documentation will be retained in a central filing location established by your Principal Office. The record should be kept for 3 years after final payment. The records must be kept secure and be easily retrievable upon request. Documentation includes:

- Request for purchase (a written request from the requisitioner).
- Record of purchase (i.e. written notes, printout of [Contracts and Purchasing Support System] CPSS Quick Purchase screen, invoice, internet printout, etc.).
- Record of receipt and acceptance (i.e. packing slip, training certificate).

Section VII.A.9 of the Directive provides examples of categories requiring special reviews or clearances including, “b. Paid advertisements – authority to publish advertisements in newspapers and periodicals require clearance by the Director, CPO.”<sup>2</sup>

Departmental Directive OM 4-103, *Space Management*, revised July 30, 2002, outlines guidance on the acquisition of furniture. Section VI, Part C.4 states,

The Principal Officers are responsible for . . . 4. Assuring that all furniture procurement is through, coordinated and approved by [OM Facilities Services] OM/FS in order to insure these products meet the minimum standards and are interchangeable (i.e. connectivity, parts, style, color, etc.) with our existing inventory, and comply with departmental contracting policy and procedures.

Office of the Chief Information Officer (OCIO) Handbook OCIO-08, *Handbook for Software Management and Acquisition Policy*, dated August 25, 2003, outlines procedures and requirements for software acquisition. Section VI, Part A, states,

Requisitions for software and upgrades will be submitted to OCIO by the Contracts and Purchasing Support System (CPSS) for approval, and upon award, delivery and receipt by the [Contracting Officer] CO, registered in the Software Library.

We found cardholders and AOs were not always familiar with, or inconsistently applied, Department requirements. The Department Directive did not include information on how special clearances should be obtained for required items. Some cardholders maintained additional files and did not include all documentation in the purchase card files and reconciliation packages provided to the AOs. We also found AOs did not ensure cardholders obtained and maintained complete supporting documentation prior to approving the statements for payment.

Web-based refresher training was provided for purchase cardholders, AOs, and other staff with responsibilities in the program. However, this training was required only every two years, and did not include an exam or other assessment as to whether the participants understood the information prior to providing credit for completing the course.

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<sup>2</sup> CPO, or Contracts and Purchasing Operations, is now known as Contracts and Acquisitions Management, or CAM.

We reviewed the training records for 128 Headquarters staff participating in the program and found 5 staff did not complete the refresher training when required. Specifically, three cardholders, one AAO, and one former Executive Officer, did not complete the refresher training within the two-year period. CAM staff stated that reminders are sent when training is due, and added that the former Executive Officer noted refused to take the required refresher training. One of the cardholders noted has changed positions, and is no longer a cardholder, but was overdue for training at the time she changed positions. The remaining two cardholders and AAO have now completed the refresher training. CAM did not suspend the purchase card activities for these staff when required training was not completed.

While OCFO's *Purchase Card Program Review Plan* included quarterly reviews of purchase card transactions, CAM did not always request documentation supporting purchases. Rather, CAM staff sent emails to cardholders requesting explanations or more information on questionable purchases identified for review. If the email explanation was sufficient, supporting documentation may not have been requested. In response to the prior OIG audit issued in April 2002, OCFO agreed to develop guidelines and conduct on-site internal control reviews. CAM staff confirmed that another group in OCFO conducted the reviews of purchase card activity, including on-site visits and review of cardholder files. CAM staff stated the last of these reviews was conducted in July 2002. As such, OCFO staff have not been evaluating compliance by the cardholders in obtaining and maintaining required documentation, and by AOs in ensuring purchases are supported by required documentation.

Lack of adequate supporting documentation reduces the Department's assurance that purchases were appropriate and were made in accordance with Federal regulations and Department policies and procedures. Failure to document receipt of goods and services could result in payment for items that were ultimately not provided to the Department. Approving purchases without reviewing adequate supporting documentation increases the Department's vulnerability to potential misuse or waste of government resources.

Failure to document required approvals for advertisements, furniture, and software purchases reduces assurance that such approvals were obtained. Purchases made without such approvals could result in improper expenditure of funds, or in expenditure of funds for items that are not compatible with current configurations, or that are already available for use within the Department. In addition, independent purchase of these items could result in higher costs if established contracts or Department sources are not used.

## **Recommendations**

We recommend the Acting Chief Financial Officer:

1. Require training on an annual basis for cardholders, AOs, Executive Officers, and other staff involved in the program.
2. Modify the web-based training program to include additional emphasis on documentation requirements, and include an exam to demonstrate that participants understand the information presented prior to allowing credit for completing the course.

3. Establish a process to monitor the completion of refresher training to ensure cardholders, AOs, Executive Officers, and other staff involved in the program meet requirements. Suspend accounts and/or participation in the program for staff who have not satisfied training requirements.
4. Include in the Department Directive additional information on the process for obtaining special clearances for purchases of advertisements, furniture, software, or other items, and refer to OM, OCIO, and other directives, as appropriate.
5. Request and review documentation for all transactions identified and selected under the *Purchase Card Program Review Program* to allow evaluation of cardholder and AO performance in ensuring required documentation is obtained and maintained to support purchases. Communicate the results of internal reviews back to Executive Officers and/or Senior Officials to ensure corrective actions are taken as appropriate.
6. Develop and implement a program to reinstitute the on-site reviews of purchase card activity previously agreed to in response to the April 2002 OIG audit.

**OCFO Comments:**

In its response to the draft audit report, OCFO concurred with the recommendations and provided a proposed corrective action plan to address each recommendation. The complete text of the OCFO's response is included as Attachment 6 to this audit report.

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## OTHER MATTERS

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### **Department Needs to Continue to Monitor Unreconciled Items**

Prior to our audit, OCFO had not consistently provided detailed information to PO staff on purchase card transactions that had not been reconciled. OCFO Financial Management Operations (FMO) staff are responsible for this area. CAM staff stated when FMO sent reports containing the current month's transactions, many POs believed the old items had been addressed since the transactions did not appear on the report. From discussions with cardholders, CAM staff found cardholders were not always aware they could change a drop-down menu in CPSS to show all unreconciled items, but added that recent updates to CPSS resulted in the default setting showing all transactions.

On February 23, 2005, FMO began providing monthly detailed lists to PO staff that included all unreconciled transactions since July 2001. This listing was provided to cardholders, AOs, and Executive Officers, and included a total of 1,069 debit and credit transactions with a combined value of \$293,450.<sup>3</sup> As of November 2005, the report sent to PO staff included a total of 30

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<sup>3</sup> Values presented do not net debits and credits as each represents an unreconciled transaction.

undisputed, unreconciled debit and credit transactions with a combined value of \$9,252. This represents a 97 percent decrease in both the number and value of unreconciled transactions.

While this represents a significant improvement, we suggest that OCFO continue to provide detailed information to cardholders, AOs, and Executive Officers, on purchase card transactions that have not been reconciled, and continue to work with PO staff to resolve outstanding items. Further, we suggest that OCFO establish a process to suspend cardholder accounts for items that have not been reconciled for 120 days.

### **Timeframes for Reconciliation Were Not Consistent**

We also noted timeframes for reconciliation established in the Directive were not consistent with deadlines established in notices sent by OCFO with statement transactions for reconciliation. Section VII.B of the Directive requires cardholders to reconcile the statement with their records and obligations in the financial system, and forward the reconciled statement and all supporting documentation to the AO within five working days. The Directive requires the AO to review and approve the statement within 5 working days of receipt from the cardholder, but no later than 15 calendar days from the statement date. Finally, the Directive states the designated billing office (OCFO) shall receive all authorized (reconciled) transactions by the fifth calendar day of the month following the statement date.

We reviewed the reconciliation notices sent by OCFO during the scope of our review and found cardholders were allowed an average of 11 working days from the date of the email notices to complete reconciliation activities. AOs were allowed an average of an additional three working days to complete their tasks. Overall, an average of 14 working days was allowed from the date the email notice was sent. The timeframes allotted the cardholders far exceeded those established by the Directive, and AOs were expected to complete their duties in less time. The timeframes established did not in any instance require completion of all reconciliation activities within 15 calendar days of the statement date, or provide all reconciled transactions by the 5th day of the month following the statement date.

We suggest OCFO either ensure notices sent follow the timelines in the Directive, or modify the Directive to reflect that deadlines will be established in the reconciliation notices sent by OCFO. We further suggest that OCFO establish a process whereby cardholder accounts are suspended when accounts are not reconciled timely on a recurring basis.

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## **OBJECTIVES, SCOPE, AND METHODOLOGY**

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The objectives of our audit were to (1) determine whether recommendations from prior purchase card reviews were implemented, and (2) assess the current effectiveness of internal control over the purchase card program and the appropriateness of current purchase card use.

To accomplish our objectives, we performed a review of internal control applicable to the Department's administration and management of its purchase cards, as well as any additional controls established by individual POs. We evaluated the prior Department-wide and PO-level OIG reviews of the purchase card program, and prior reviews of the Department's purchase card program conducted by the Government Accountability Office, to determine issues previously reported. We evaluated corrective actions taken by the Department in response to the recommendations in the OIG reports. We reviewed requirements related to the purchase card program in the Treasury Financial Manual, Federal Acquisition Regulation, Office of Management and Budget circulars and memoranda, and Bank of America's contract and task order. We reviewed guidelines and information on the purchase card program provided by the General Services Administration. We evaluated audit/review guidelines issued by the Government Accountability Office and the President's Council on Integrity and Efficiency. We also reviewed Departmental Directives, OCFO procedures, and internal PO-level guidance applicable to the purchase card program.

We conducted interviews with OCFO officials to obtain information and an understanding of the purchase card program. In each PO reviewed, we conducted interviews with PO-level managers, Executive Officers, cardholders, and AOs, as appropriate. We reviewed PO-level policies and procedures for compliance with Department policies and procedures. We also reviewed training records for staff participating in the program. To test controls and evaluate the appropriateness of purchase card use, we reviewed supporting documentation provided by PO-level staff for purchases made during the scope period noted below.

The scope of our review included purchases made by Washington, DC (Headquarters) cardholders during the period July 1, 2003, through June 30, 2004. We identified a total of 6,474 purchases valued at \$2,842,648 as within our scope. (See Attachment 3 for detail on the numbers of transactions and value of purchases for each PO reviewed.) We did not include in our review any purchases made by the various boards and commissions that participate in the Department's purchase card program, because these organizations do not represent a high volume of purchases, and the staff are not considered Department employees.

We used sampling and data mining to select purchases for review. From the universe of purchases made by Department Headquarters cardholders, we randomly selected purchases of \$50 or more for review. The random sample was chosen to provide a representative review of purchases across the Department. We also identified high-risk categories of potentially inappropriate purchases and reviewed all transactions in those categories – purchases over \$2,500, charges to blocked merchant category codes (MCCs), and potential weekend purchases.

Department-wide, we reviewed 280 transactions in the random sample, all 11 purchases over \$2,500, and all 27 charges to blocked MCCs. We also reviewed all 41 potential weekend purchases for the first PO reviewed. However, we determined the date of the transactions resulted from posting delays in the Bank of America system, and that no purchases were actually made on a weekend. Further review of potential weekend purchases was not pursued in additional POs. In total, we reviewed 359 purchases totaling \$300,822 in 16 POs to evaluate the effectiveness of internal control and the appropriateness of purchase card use. (See Attachment 4 for details on the numbers of transactions in each category reviewed in each PO.) Our sample represented 6 percent of the total number and 11 percent of the total dollar value of purchases within our scope period. Since we did not identify any inappropriate purchases in our audit, we



have not projected the results of our sample to the universe. However, we believe the results clearly demonstrate that improvements are needed in the Department's internal control over the purchase card program, specifically in the area of documentation required to support purchases.

We also evaluated the universe of transactions for potential split purchases. We identified from the universe all purchases within seven calendar days from the same vendor by the same PO, and for which the total amount of the purchases exceeded \$2,500. This analysis was done to identify any purchases that may have been split into more than one transaction to avoid the \$2,500 micropurchase limit. Since training charges were not considered split purchases, we eliminated transactions to known training vendors. Our analysis identified a total of 187 transactions that could be split purchases. In our individual PO reviews, we evaluated these transactions and supporting documentation to determine whether purchases were split to avoid the micropurchase threshold. We identified 8 purchases, or 16 transactions, in this category. These transactions represent 0.2 percent of the total transactions in our universe, and are therefore considered immaterial to this audit report. These purchases were reported and corrective actions recommended in the PO-level reports.

We relied on computer-processed data initially obtained from Bank of America's Electronic Account Government Ledger System to select cardholder purchases made during the scope period. This data was also recorded in the Department's Contracts and Purchasing Support System and reconciled by PO and OCFO staff through Education's Central Automated Processing System. We verified the completeness and accuracy of the data by reviewing cardholder statements, invoices, receipts, and other supporting documentation to validate purchase amounts recorded in these systems. Based on our testing, we concluded that the computer-processed data were sufficiently reliable for the purpose of our audit.

We reviewed reports prepared by OCFO staff of purchase card transactions that were overdue for reconciliation. These reports were part of the "Fast Facts" reports distributed monthly to all Department staff through the Department's Intranet. We also reviewed detail reports of unreconciled transactions that OCFO/FMO staff began providing to PO staff in February 2005. We did not validate the accuracy of these reports, as we used them for informational purposes only, as an indicator of reconciliation timeliness, and for trends in the numbers of unreconciled items. See the OTHER MATTERS section of this report for more information on the reports provided by FMO staff.

We conducted fieldwork at Department offices in Washington, DC, during the period August 5, 2004, through January 9, 2006. We held an exit conference with OCFO staff on January 26, 2006. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

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## ADMINISTRATIVE MATTERS

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Corrective actions proposed (resolution phase) and implemented (closure phase) by your office will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System. Department policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items, and targeted completion dates, necessary to implement final corrective actions on the finding and recommendations contained in this final audit report.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after six months from the date of issuance.

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

In accordance with the Freedom of Information Act (5 U.S.C. § 522), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation provided to us during this review. Should you have any questions concerning this report, please call Michele Weaver-Dugan at (202) 245-6941. Please refer to the control number in all correspondence related to the report.

Sincerely,

Helen Lew /s/  
Assistant Inspector General for Audit Services

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## ATTACHMENT 1

### PRIOR OIG REPORTS ON THE PURCHASE CARD PROGRAM

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On October 13, 2000, the OIG issued a report entitled, *Results of the OIG Review of Internal Controls over the Use of Purchase Cards and Third-Party Drafts* (Control Number A&I 2000-015). OIG had issued 14 reports to individual principal offices, and in this summary report, cited a number of deficiencies in internal control over the purchase card program, including that cardholders did not always maintain documentation to support purchases, approving officials did not always document review of purchase card statements, procurement staff were not fully aware of their responsibilities, Department guidelines needed to be updated, and training needed to be improved. OIG made several recommendations to improve controls over the program, including enhanced purchase card training and a requirement for refresher training, updates to the Department Directive on purchase card use, establishment of a Department website to convey requirements and information, reduction in spending limits, and improvements in the reconciliation process.

On September 28, 2001, OIG issued a report entitled, *Follow-Up Review of Internal Controls Over Purchase Cards* (Control Number A&I 2001-004). This review was performed to determine if the Department had taken corrective actions on two recommendations relating to the reconciliation process from the prior review. OIG concluded that although improvements were being made, further actions were needed. OIG emphasized the importance of issuing the updated Department Directive so that all purchase card participants understand the program requirements.

On November 20, 2001, OIG issued a report entitled, *Review of Department-wide Purchase Card Statement Late Notices for June 2001* (Control Number A&I 2001-05). This review was performed to further evaluate late notices sent by OCFO to AOs for one month. OIG found that recordkeeping at OCFO may have been inadequate to accurately track the timeliness of purchase card statement submissions. OIG noted that new procedures implemented were intended to track receipt of statements electronically. OIG suggested that the Deputy Chief Financial Officer solicit and receive assurance from responsible OCFO officials that the new procedures are working.

On April 9, 2002, OIG issued a report entitled, *Audit of Purchase Cards at the U.S. Department of Education* (Control Number A17-C0002). This audit was performed to determine whether the Department had addressed the internal control weaknesses and related issues presented in the first purchase card review above. The audit reported that the Department had addressed the internal control weaknesses previously reported, but that additional internal controls were needed. OIG recommended the Department develop on-site<sup>4</sup> guidelines and conduct on-site internal control reviews, and reassess the number of cardholders assigned to AOs.

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<sup>4</sup> The term on-site was defined as a review at the locations where purchase card activity and approval was performed.

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**ATTACHMENT 2**  
**PRINCIPAL OFFICE REPORTS ISSUED**

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| Principal Office  | Audit Control Number | Report Date        |
|---|----------------------|--------------------|
| Federal Student Aid (FSA)   | A19F0016             | October 20, 2005   |
| Institute of Educational Sciences (IES)   | A19F0021             | September 14, 2005 |
| Office of the Chief Financial Officer (OCFO)  | A19F0013             | September 14, 2005 |
| Office for Civil Rights (OCR)   | A19F0019             | September 14, 2005 |
| Office of Elementary and Secondary Education (OESE)   | A19F0018             | September 27, 2005 |
| Office of English Language Acquisition, Language Enhancement, and Academic Achievement for Limited English Proficient Students (OELA) | A19F0008             | July 14, 2005      |
| Office of General Counsel (OGC)   | A19F0006             | September 27, 2005 |
| Office of Innovation and Improvement (OII)  | A19F0012             | May 17, 2005 *     |
| Office of Intergovernmental and Interagency Affairs (OIIA)  | A19F0020             | October 25, 2005   |
| Office of Legislation and Congressional Affairs (OLCA)  | A19F0011             | May 26, 2005 *     |
| Office of Management (OM)   | A19F0014             | October 25, 2005   |
| Office of Postsecondary Education (OPE)   | A19F0017             | September 14, 2005 |
| Office of Safe and Drug-Free Schools (OSDFS)  | A19F0010             | August 11, 2005    |
| Office of the Secretary/Office of the Deputy Secretary/Office of the Under Secretary (OS/ODS/OUS)                                     | A19F0015             | November 3, 2005   |
| Office of Special Education and Rehabilitation Services (OSERS)   | A19F0005             | June 28, 2005      |
| Office of Vocational and Adult Education (OVAE)   | A19F0006             | July 1, 2005       |

\* Limited review, Closeout Letter issued.

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**ATTACHMENT 3**  
**UNIVERSE OF TRANSACTIONS IN EACH OFFICE**

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| <b>Principal Office</b> | <b>Total Transactions</b> | <b>Value of Transactions</b> |
|-------------------------|---------------------------|------------------------------|
| FSA                     | 1,661                     | \$814,542                    |
| IES                     | 233                       | \$72,363                     |
| OCFO                    | 568                       | \$285,333                    |
| OCR                     | 247                       | \$130,377                    |
| OESE                    | 149                       | \$85,989                     |
| OELA                    | 58                        | \$33,693                     |
| OGC                     | 103                       | \$58,758                     |
| OII                     | 99                        | \$40,203                     |
| OIIA                    | 290                       | \$148,008                    |
| OLCA                    | 22                        | \$6,371                      |
| OM                      | 621                       | \$277,581                    |
| OPE                     | 438                       | \$197,634                    |
| OSDFS                   | 64                        | \$37,202                     |
| OS/ODS/OUS              | 1,110                     | \$450,882                    |
| OSERS                   | 631                       | \$137,950                    |
| OVAE                    | 180                       | \$65,762                     |
| <b>Total</b>            | <b>6,474</b>              | <b>\$2,842,648</b>           |

**ATTACHMENT 4**  
**TRANSACTIONS REVIEWED IN EACH OFFICE**

| <b>Principal Office</b> | <b>Random Sample</b> | <b>Blocked MCC</b> | <b>Over \$2,500</b> | <b>Weekend</b> | <b>Total Transactions Reviewed</b> | <b>Value of Transactions Reviewed</b> |
|-------------------------|----------------------|--------------------|---------------------|----------------|------------------------------------|---------------------------------------|
| FSA                     | 70                   | 3                  | 0                   | 0              | 73                                 | \$59,319                              |
| IES                     | 9                    | 0                  | 0                   | 0              | 9                                  | \$8,913                               |
| OCFO                    | 38                   | 3                  | 0                   | 0              | 41                                 | \$35,709                              |
| OCR                     | 10                   | 1                  | 0                   | 0              | 11                                 | \$8,602                               |
| OESE                    | 8                    | 0                  | 4                   | 0              | 12                                 | \$13,828                              |
| OELA                    | 4                    | 0                  | 0                   | 0              | 4                                  | \$4,743                               |
| OGC                     | 6                    | 0                  | 0                   | 0              | 6                                  | \$7,430                               |
| OII                     | 1                    | 0                  | 0                   | 0              | 1                                  | \$536                                 |
| OIIA                    | 20                   | 3                  | 0                   | 0              | 23                                 | \$18,906                              |
| OLCA                    | 0                    | 3                  | 0                   | 0              | 3                                  | \$1,000                               |
| OM                      | 29                   | 3                  | 0                   | 0              | 32                                 | \$22,683                              |
| OPE                     | 20                   | 1                  | 3                   | 0              | 24                                 | \$30,313                              |
| OSDFS                   | 3                    | 0                  | 0                   | 0              | 3                                  | \$4,815                               |
| OS/ODS/OUS              | 36                   | 10                 | 0                   | 0              | 46                                 | \$41,310                              |
| OSERS                   | 19                   | 0                  | 2                   | 41             | 62                                 | \$31,517                              |
| OVAE                    | 7                    | 0                  | 2                   | 0              | 9                                  | \$11,199                              |
| <b>Total</b>            | <b>280</b>           | <b>27</b>          | <b>11</b>           | <b>41</b>      | <b>359</b>                         | <b>\$300,823</b>                      |

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**ATTACHMENT 5**  
**DOCUMENTATION ERROR RATES IN EACH OFFICE**

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| <b>Principal Office</b> | <b>Total Transactions Reviewed</b> | <b>Transactions w/o Required Documentation</b> | <b>Error Rate</b> |
|-------------------------|------------------------------------|--|-------------------|
| FSA                     | 73                                 | 54   | 74%               |
| IES                     | 9                                  | 7  | 78%               |
| OCFO                    | 41                                 | 24   | 59%               |
| OCR                     | 11                                 | 6  | 55%               |
| OESE                    | 12                                 | 8  | 67%               |
| OELA                    | 4                                  | 4  | 100%              |
| OGC                     | 6                                  | 5  | 83%               |
| OII                     | 1                                  | 0  | 0%                |
| OIIA                    | 23                                 | 17   | 74%               |
| OLCA                    | 3                                  | 3  | 100%              |
| OM                      | 32                                 | 22   | 69%               |
| OPE                     | 24                                 | 11   | 46%               |
| OSDFS                   | 3                                  | 3  | 100%              |
| OS/ODS/OUS              | 46                                 | 34   | 74%               |
| OSERS                   | 62                                 | 40   | 65%               |
| OVAE                    | 9                                  | 1  | 11%               |
| <b>Total</b>            | <b>359</b>                         | <b>239</b>                                     | <b>67%</b>        |



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF FINANCIAL OFFICER

THE CHIEF FINANCIAL OFFICER

MAR 24 2006

**MEMORANDUM**

**TO:** Helen Lew  
Assistant Inspector General for Audit

**FROM:** William McCabe /s/ ~  
Acting Chief Financial Officer

**SUBJECT:** Draft Audit Report  
*Department of Education Controls over Purchase Card Use*  
Control Number ED-OIG/A19E0018

I am pleased to have the opportunity to respond to the draft audit report entitled "Department of Education Controls over Purchase Card Use." The Office of the Chief Financial Officer (OCFO) has no comment on the objectives, scope, methodology or findings in the report. We concur with the report's six recommendations. Attached is the draft Corrective Action Plan (CAP) for implementing these recommendations.

If you have any questions regarding this response, please feel free to contact Glenn Perry at 202-245-6200.

Attachment: Draft Corrective Action Plan (CAP)

cc: Danny A. Harris, PhD.  
Deputy Chief Financial Officer

Glenn Perry  
Director, Contracts and Acquisitions Management