



# APD ALERT

## OMB Circular A-123 Purchase Card Program Review

The purpose of this Alert is to remind cardholders, managers/supervisors, Local Agency Program Coordinators (LAPC's), and Area Agency Program Coordinators (AAPC's) of areas needing improvement when using the purchase card/convenience check and when reconciling transactions in the Purchase Card Management System (PCMS). The same rules that govern purchase cards apply to convenience checks as well.

Recently, the Government Accountability Office (GAO) issued a report that identified internal control weaknesses in the Governmentwide purchase card program that exposed the Federal Government to fraud, waste, abuse, and loss of assets. GAO made several recommendations to the Office of Management and Budget (OMB), and the General Services Administration (GSA) to instruct agencies to strengthen internal controls to reduce fraudulent, improper, and abusive purchases.

In an effort to reduce instances of fraudulent, improper, and abusive purchase card/convenience check activity, listed below are the areas where we need to emphasize improvement in the program by tightening management and oversight controls:

- **Document the file to substantiate purchase card/convenience check transactions.**  
Cardholders are to maintain adequate documentation of all purchase card and convenience check transactions. This responsibility includes: maintaining a purchase card log, documentation of funds availability, receipts, purchase requests, packing slips, and electronic confirmation for all purchases made over the counter, by telephone or via the Internet.
- **Obtain appropriate authorization to purchase goods/services.**  
To comply with OMB Circular A-123, cardholders are to obtain proper authorization prior to making a purchase. Authorization can be in the form of a written purchase request from a responsible official, e-mails, and other documents that identify an official Government need, including blanket authorizations for routine purchases with subsequent review by a manager/supervisor.
- **Reconcile transactions on a timely basis.**  
Cardholders are to reconcile on a weekly basis. LAPC's are to actively monitor reconciliation and ensure that mandatory fields are completed by cardholders in PCMS. Accounts will be deactivated if not properly reconciled within 60 days. Proper reconciling includes:

- **Purchase Cards** – The mandatory fields to be completed when reconciling are: Action, Date Received, SF-281 Code (if  $\geq$  \$2,500), Item Description, and Agency Reference Number. When prompted, all cardholders shall enter “ZZ” in the SF-281 field in PCMS for transactions between \$2,500 and \$3,000. Acquisition personnel shall enter “22” in the SF-281 field in PCMS for transactions  $\geq$  \$3,001 and all awards in the Small Business Competitiveness Demonstration Program regardless of dollar value in the designated industry groups.

Prior to purchasing construction, nonprocurement cardholders are to follow the guidance provided in the “Single Purchase Card Limits” memorandum. A copy of the memorandum can be found in Exhibit 4 of the REE Purchase Card Program Manual (213.3M).

- **Convenience Checks** – The mandatory fields to be completed when reconciling are Merchant Address, Merchant City, Merchant State & Zip Code, Action, Date Received, SF-281 Code (if  $\geq$  \$2,500), Item Description, Tax Identification Number (TIN), Debt Collection Improvement Act Waiver Number (Exhibit 1), and Agency Reference Number. When prompted, all cardholders shall enter “ZZ” in the SF-281 field in PCMS for transactions between \$2,500 and \$3,000. Acquisition personnel shall enter “22” in the SF-281 field in PCMS for transactions  $\geq$  \$3,001 and all awards in the Small Business Competitiveness Demonstration Program regardless of dollar value in the designated industry groups. As you are aware, Agriculture Acquisition Advisory No. 52 prohibits the issuance of checks over \$2,500. ARS acquisition personnel who need to write checks over \$2,500 due to a documented emergency shall follow the guidance in Alert 2004-09.

Use the following TIN’s when reconciling checks to foreign governments, Government entities, and universities:

- Foreign/International orders – 989898989
- Government entities (local, state, and Federal) – 787878787
- Universities - 787878787

- **Avoid splitting purchases to stay within your single purchase limit.**  
Splitting purchases to stay within your single purchase limit is a violation of law. Cardholders with micro-purchase authority are to submit a purchase request to their Servicing Procurement Office for processing if a requirement exceeds their purchase authority.
- **Monitor purchase card/convenience check activity:**
  - **LAPC’s** are to effectively monitor purchases using the User Messages System in PCMS, conduct random monthly cardholder reviews using standard REE agency reports, provide manager/supervisors with transaction activity information on a quarterly basis, and conduct statistical sampling.

- **AAPC's** are to ensure that LAPC's are conducting reviews and monitoring purchase card/convenience check activity in accordance with existing Research, Education, and Economics (REE) purchase card policy.
- **Manager/Supervisors** are to utilize, sign, and retain the reports provided by their LAPC's to ensure that cards issued under their authority are properly utilized for official Government business and that transactions represent legitimate needs of the Government. Managers are now accountable for improper purchases made by subordinates and may be held financially responsible for reimbursement to the Government.

Failure to follow proper purchase card/convenience check procedures (e.g., not reconciling timely, splitting orders, not entering item descriptions, and waiver numbers for convenience checks) will result in permanent termination of purchase card/convenience check privileges. Please refer to the REE Purchase Card Program Manual (213.3M) for additional guidance and policy on using the purchase card/convenience check.

Please distribute this Alert to all cardholders and their supervisors.

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## Debt Collection Improvement Act Waivers for Check Writing Purposes

Waiver No.	Short Description	Long Description
01	Individual Determination	Where an individual determines, in his/her sole discretion that use of the purchase card would cause a financial hardship or impose a hardship due to a physical or mental disability, or a geographic, language, or literacy barrier. (Agency personnel may not challenge an individual's hardship determination).
02	Agency Makes One Payment	Where the agency does not expect to make more than one payment to the same recipient within a one-year period (e.g., honoraria, nutrition study recipients).
03	Foreign Country Infrastructure	Where the infrastructure of a foreign country does not support electronic transfers.
04	Transaction in Disaster Area	Where the transaction is with a vendor/recipient in a declared disaster area.
05	Threat to National Security	Where a threat may be posed to national security, the life or physical safety of any individual may be endangered, or a law enforcement action may be compromised.
06	Unusual and Compelling Urgency	Where an agency's need for goods and services is of such unusual and compelling urgency that the Government would be seriously injured unless the transaction is processed by other than electronic means.
07	One Source for Required Supplies or Services	Where there is only one source for the required supplies or services and the Government would be seriously injured unless the transaction is processed by other than electronic means.