



United States Department of Agriculture  
Office of Inspector General  
Washington, D.C. 20250



DATE: December 20, 2010

AUDIT  
NUMBER: 08703-2-SF (3)

TO: Thomas L. Tidwell  
Chief  
Forest Service

ATTN: Donna M. Carmical  
Chief Financial Officer

FROM: Gil H. Harden /s/  
Assistant Inspector General  
for Audit

SUBJECT: Noncompliant Use of Purchase Cards at Hoosier National Forest, Indiana -The  
Recovery Act – Forest Service Facility Improvement, Maintenance and  
Rehabilitation (3)

The American Recovery and Reinvestment Act of 2009 (Recovery Act) included \$1.15 billion in funds for the Forest Service (FS) to implement projects that directly accomplish its mission of sustaining the nation's forests and grasslands, creating jobs, and promoting U.S. economic recovery. In passing the law, Congress emphasized accountability for and transparency of funds spent through the Recovery Act. Accordingly, the Office of Management and Budget (OMB) issued guidance in February 2009 that requires Federal agencies to establish internal controls, oversight mechanisms, and other approaches to meet the Recovery Act's accountability objectives.<sup>1</sup> The Director of FS' Acquisition Management is responsible for implementing processes to ensure the agency complies with the Recovery Act and OMB's related guidance. The Recovery Act also requires the Department of Agriculture's (USDA) Office of Inspector General (OIG) to oversee FS' activities in order to ensure Recovery Act funds are spent in a manner that minimizes the risk of improper use.

The Recovery Act authorized \$650 million for FS to implement capital improvement and maintenance projects, of which \$239 million was used for improving, maintaining, and rehabilitating FS facilities. With these funds, FS approved \$100,000 for the Hoosier National Forest in Bedford, Indiana to hire temporary employees to conduct deferred maintenance on

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<sup>1</sup> OMB Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009, M-09-10, dated February 18, 2009.

recreation sites, which included clearing brush, removing hazardous trees, and resurfacing some sites with gravel. We statistically selected this project named *Deferred Maintenance of Dispersed Recreation Sites*, for review. We visited FS' East Economic Recovery Operations Center (EROC)<sup>2</sup> in Atlanta, Georgia, and the Hoosier National Forest in Bedford, Indiana to review project files, to inspect the project, and to interview key staff associated with the project.

Over the years, FS has issued purchase cards to some field employees to pay for supplies and services under an established delegation of authority, but under the Recovery Act all purchase cardholders must limit their transactions to [less than \$3,000].<sup>3</sup> FS Recovery Act Guidance<sup>4</sup> states, "Field purchase card use is limited to the micro-purchase threshold.... All needs above these levels must be identified on a requisition ...and executed by EROC personnel...."

Our review found that employee A and employee B of the Hoosier National Forest working on this project used their purchase cards in ways that did not comply with FS guidance, the Recovery Act micro-purchase threshold, and other Federal procurement requirements. Although both cardholders had taken the required purchase card training, they were unaware of the Recovery Act rules they must follow when using their purchase cards. As a result, both employees made purchases exceeding the \$3,000 micro-purchase threshold limit. This issue, along with any others identified, will be compiled into a final report at the conclusion of our audit.

Employee A used his purchase card on two transactions. He rented a "bobcat mini-track" for (\$3,060) and a forklift for (\$320). When we informed employee A and his supervisor that the "bobcat mini-track" rental exceeded the \$3,000 micro-purchase threshold limit for purchase card purchases, employee A renegotiated the "bobcat mini-track" rental agreement to total less than \$3,000. However, we also noticed that neither of these transactions were approved by a supervisor, as required by the FS Handbook.<sup>5</sup>

Employee B purchased wooden posts totaling \$6,460 with his card. This transaction exceeded the \$3,000 micro-purchase threshold, and should have been made by EROC personnel. Additionally, we noted that employee B combined Recovery Act and non-Recovery Act purchases on the same card, did not maintain a log of his Recovery Act purchases, and did not report the transaction in the Federal Procurement Database System-Next Generation (FPDS-NG)—all of which are required by FS guidance.<sup>6</sup> FPDS-NG provides transparency by allowing the public access to detail information of Federal procurements over \$3,000.

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<sup>2</sup> FS established four EROCs across the country: Southwest EROC in Vallejo, California; Northwest EROC in Portland, Oregon; Intermountain EROC in Denver, Colorado; and East EROC in Atlanta, Georgia. The EROCs are responsible for executing and managing the contracts, grants, and agreements under the Recovery Act.

<sup>3</sup> An employee with a purchase card can either be an unwarranted or a warranted cardholder. An unwarranted cardholder can make a single purchase under a maximum micro-purchase threshold of \$3,000 with prior approval from his supervisor. A warranted cardholder can make a single purchase that exceeds the \$3,000 micro-purchase threshold with a signed requisition. However for Recovery-funded projects, both unwarranted and warranted cardholders are limited to the same micro-threshold; any single purchase beyond the threshold must be procured by EROC personnel.

<sup>4</sup> The FS Recovery Act Guidance, Chapter 5-39, dated October 2, 2009.

<sup>5</sup> FS Federal Acquisition Regulation Handbook 6309.32 Section 4 G13.301-71(g)(2)(v), dated February 9, 2009 states that "purchases must be either (1) authorized in writing by supervisor, or (2) approved by a requisition...."

<sup>6</sup> The FS Recovery Act Guidance Chapter 5-39, 5-40, dated October 2, 2009 states "if a purchase card is used for Recovery Act, that card immediately becomes dedicated to only Recovery Act purchases with no exceptions;" "A log must be maintained for ALL Recovery Act purchase card purchases. This log template is included in the April, 1 2009 letter entitled *Purchase Card*

We found nothing to indicate that the two cardholders used their cards for inappropriate purposes or for purposes that were not related to FS Recovery Act work performed at the Hoosier National Forest.

We discussed this issue with the acting Hoosier National Forest Supervisor and an official at the East EROC. Both officials agreed that all Hoosier National Forest employees using purchase cards must adhere to FS guidance and Recovery Act requirements. However, they were unable to provide us a reasonable explanation as to why the two employees were unaware of requirements associated with the purchase card. Therefore, we are recommending that FS notify all cardholders that they must: (1) obtain written authorization from a supervisor or have a signed requisition before making purchases with their cards; (2) defer Recovery Act-funded purchases exceeding the limit of \$3,000 to EROC personnel; and (3) follow all Recovery Act transparency reporting and record-keeping requirements.

Please provide a written response within 5 days that outlines your corrective action on this matter. If you have any questions, please contact me at (202) 720-6945, or have a member of your staff contact Steve Rickrode, Director, Rural Development and Natural Resources Division, at (202) 690-4483.

cc:

Jennifer McGuire, Director of Audit and Assurance, Forest Service

Dianna Capshaw, Internal Quality Assurance, Forest Service

Sandy Coleman, Branch Chief, Forest Service

Janet Roder, OIG Audit Liaison, Forest Service

**Agency's Response**

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**USDA'S**

**FOREST SERVICE**

**RESPONSE TO AUDIT REPORT**



File Code: 1430

Date: January 5, 2011

**Subject:** Audit Report No. 08703-2-SF (3) Noncompliant use of Purchase Cards at Hoosier National Forest, Indiana the Recovery Act – Forest Service Facility Improvement, Maintenance and Rehabilitation

**To:** Gil H. Harden, Assistant Inspector General for Audit

This letter is in response to the Audit Report No. 08703-2-SF (3) Noncompliant use of Purchase Cards at Hoosier National Forest, Indiana the Recovery Act – Forest Service Facility Improvement, Maintenance and Rehabilitation received on December 20, 2010, from the US Department of Agriculture Office of the Inspector General. The response for each recommendation follows:

**OIG Recommendation 1:** Obtain written authorization from a supervisor or have a signed requisition before making purchases with purchase cards.

**Forest Service Response:** FS concurs with the recommendation. A reminder, to comply with Forest Service Handbook 6309.32; Part 4G13, Section 4G13.301-71, will be issued to all purchase card users by February 25, 2011.

**OIG Recommendation 2:** Defer Recovery Act funded purchases exceeding the limit of \$3,000 to EROC personnel.

**Forest Service Response:** FS concurs with the recommendation. FS will no longer have any more purchase card activity using Recovery Act funds, since those funds have expired.

**OIG Recommendation 3:** Follow all Recovery Act transparency reporting and record keeping requirements.

**Forest Service Response:** FS agrees with the recommendation. In June 2010, Chapter 5 instruction of the FS Recovery guidance was revised to clarify the Recovery Act transparency reporting and record keeping requirements. This document has been a living document and several updates have been made throughout the last 2 years. The latest version is enclosed (Attachment A).

If you have any additional questions, please contact Donna Carmical, Chief Financial Officer, (202) 205-1321, [dcarmical@fs.fed.us](mailto:dcarmical@fs.fed.us).

/s/ Donna M. Carmical  
DONNA M. CARMICAL  
Chief Financial Officer

Enclosures

