

**IG-98-011**

**AUDIT  
REPORT**

---

**NASA'S INTERNATIONAL MERCHANT  
PURCHASE AUTHORIZATION CARD PROGRAM**

**MAY 4, 1998**

---



National Aeronautics and  
Space Administration

**OFFICE OF INSPECTOR GENERAL**

## **ADDITIONAL COPIES**

To obtain additional copies of this audit report, contact the Assistant Inspector General for Auditing at 202-358-1232.

## **SUGGESTIONS FOR FUTURE AUDITS**

To suggest ideas for or to request future audits, contact the Assistant Inspector General for Auditing. Ideas and requests can also be mailed to:

Assistant Inspector General for Auditing  
NASA Headquarters  
Code W  
300 E. St., SW  
Washington, DC 20546

## **NASA HOTLINE**

To report fraud, waste, abuse, or mismanagement, contact the NASA OIG Hotline by calling 1-800-424-9183, 1-800-535-8134 (TDD), or by writing the NASA Inspector General, P.O. Box 23089, L'Enfant Plaza Station, Washington, DC 20026. The identity of each writer and caller can be kept confidential, upon request, to the extent permitted by law.

---

## **ACRONYMS**

ADP	Automated Data Processing
AO	Approving Official
APC	Agency Program Coordinator
GSA	General Services Administration
IMPAC	International Merchant Purchase Authorization Card
NFS	NASA FAR Supplement
NPR	National Performance Review
PC	Program Coordinator
RMBCS	Rocky Mountain Bankcard System

# Table Of Contents

---

Executive Summary.....	1
Findings And Recommendations .....	3
Additional Purchase Controls Needed .....	3
Additional Payment Controls Needed.....	7
Additional Savings Possible Through Improved Oversight .....	8

## APPENDICES

Appendix A	Additional Background .....	13
Appendix B	Scope and Methodology.....	14
Appendix C	Credit Card Growth at NASA .....	16
Appendix D	Audit Reports/Management Letters Issued During Audit.....	18
Appendix E	Examples of Controls .....	20
Appendix F	Observations By Location.....	22
Appendix G	Management’s Response.....	23
Appendix H	Report Distribution .....	29

## **MAJOR CONTRIBUTORS TO THIS REPORT**

Program Director,  
Procurement and International  
Agreements

Lorne A. Dear

Audit Team Leader

Sandra K. Leibold

Auditors

Bonnie J. Armstrong

Melody J. Coston

Ron Dill

Anh T. Doan

Amy L. Larkin

Bret J. Skalsky

Elaine M. Slaugh

Olivia O. Terry

W

TO: H/Associate Administrator For Procurement

FROM: W/Assistant Inspector General for Auditing

SUBJECT: Final Report on NASA's International Merchant Purchase Authorization Card Program Assignment Number A-HA-97-069 (previously A-MA-96-008) Report Number IG-98-011

The subject final report is provided for your comments and use. The management comments to recommendations 1 and 2 in a draft of this report were responsive, and additional comments are not required. The comments, however, were not responsive to recommendation 3. Please refer to the executive summary for the overall audit results and our evaluation of management comments in the body of the report. We request that management reconsider its position regarding recommendation 3 and advise this office within 30 days of any corrective actions emanating from such reassessment.

If you have questions concerning the report, please contact Mr. Lorne A. Dear, Program Director, Procurement and International Agreements, at (818) 354-3360 or Ms. Sandra K. Leibold, Auditor-in-Charge at (205) 544-0970. We appreciate the courtesies extended to the audit staff.

Russell A. Rau

Enclosure

cc:

H/J. Horvath

JM/D. Green

ARC/241-11/T. Dussault

DFRC/D2014/S. Meske

GSFC/201/J. Clark

JSC/BD5/P. Ritterhouse

KSC/HM-E/J. Nary

LaRC/109/J. Struhar

LeRC/15-2/H. Wharton

MSFC/BE01/D. Walker

## **EXECUTIVE SUMMARY**

---

### ***BACKGROUND***

The International Merchant Purchase Authorization Card (IMPAC) is a commercial credit card for use by Government organizations to purchase approved supplies and services costing \$2,500 or less (micropurchases). This Government commercial credit card program began in 1987 when the Office of Management and Budget asked the General Services Administration (GSA) to provide commercial credit cards to Government agencies for use in making small purchases. The Rocky Mountain BankCard System (RMBCS) was awarded the Government's credit card contract in 1989.

GSA and the RMBCS established model procedures for using the credit card to include management controls for monitoring the program. These procedures have been incorporated into the NASA supplement (NFS) to the Federal Acquisition Regulation, which is NASA's primary regulatory document for the program (see Appendix A for additional background information).

### ***OBJECTIVES***

The overall objective of the audit was to determine whether NASA was adequately managing the credit card program. Specifically, we determined whether internal controls were adequate to ensure:

- purchases were proper,
- the payment authorization process was adequate, and
- property accountability was effective.

Additional information on scope and methodology is shown in Appendix B.

### ***RESULTS OF AUDIT***

Overall, the NASA IMPAC program was generally effective, and controls over the use of credit cards were in place. The program has provided a quick and cost-effective way of making small purchases. However, in view of the increasing number of cardholders and dollar amounts of purchases (see Appendix C), NASA needs to make improvements in the overall management of the program.

During the audit, we separately notified management of problems in property accountability, split purchases, and credit cards used by someone other than the cardholder. Management took prompt corrective action in all three areas (see Appendix D). Additional improvements in purchase and payment controls will further strengthen the program. Additional savings are also possible through improved oversight of the credit card program.

We have also included examples of controls used by other agencies and some NASA locations (see Appendix E). Our purpose was to identify, for management, additional controls that individual NASA locations may want to consider for their use.

### ***RECOMMENDATIONS***

To strengthen the IMPAC program, we recommend that the Associate Administrator for Procurement:

- Define the specific duties and responsibilities of IMPAC program coordinators. Duties should include:
  - performing periodic reviews of the program,
  - establishing adequate recordkeeping and monitoring techniques, and
  - developing adequate training guidelines.
- Work with financial management personnel and establish internal control procedures to ensure the authenticity of certifications.
- Establish goals for NASA to increase the use of the credit cards when making small purchases.
- Monitor agency performance relative to the Government-wide program, and take appropriate action to encourage greater use of the credit card.

### ***MANAGEMENT COMMENTS***

NASA management generally concurred with our recommendations except with regard to establishing goals for credit card use for small purchases. We ask that management reconsider its position based on the additional information provided.

## FINDINGS AND RECOMMENDATIONS

---

***ADDITIONAL PURCHASE CONTROLS NEEDED*** Purchase controls were weak at the 10 locations audited (see Appendix F for details). Specifically, program coordinators (PCs) did not:

- conduct periodic reviews of purchases,
- maintain adequate records or use available reports to monitor the program, or
- establish adequate training guidelines.

This occurred because NASA has not established adequate Agency-wide standards or specified responsibilities for PCs to follow in administering the IMPAC programs at the centers. In addition, the position is not full-time, and there has been a high level of PC turnover since the IMPAC program started. These weaknesses contributed to \$467,000<sup>1</sup> of sampled credit card transactions involving improper purchases from August through October 1996.

***Program coordinators did not conduct periodic reviews***

PCs for six of the locations reviewed did not perform periodic reviews of the program. As a result, the credit card has been used to split purchases and purchase unauthorized items.

Periodic reviews are necessary management tools to effectively monitor the progress of the program and to identify problematic trends, such as split purchasing and other unauthorized uses of the credit card. During the audit, the PC at one NASA location initiated an internal review and found additional examples of split purchasing and other questionable purchases. Corrective actions are now in process at that center.

***Program coordinators did not maintain adequate records or use available reports to monitor the Center's program***

Program coordinators at eight locations did not adequately monitor the IMPAC program. As a result:

- 77 retired/separated employees had an active credit card account with RMBCS; some employees had been separated from NASA more than 2 years;

---

<sup>1</sup> Cardholders initiated split purchases totaling more than \$430,000. Cardholders also purchased approximately \$37,000 worth of items that were unauthorized at the time of their purchase, such as telecommunications equipment, hotel accommodations, space flight items, and vehicle rentals.



- a cardholder was found to be his own approving official (AO);
- 51 cardholders and/or AOs had multiple accounts (e.g., 49 AOs had from 2 to 6 different accounts); and
- PCs did not obtain and/or use RMBCS provided reports.

Maintaining up-to-date records of cardholder and AOs account status is critical to ensure that only authorized and trained personnel are involved in purchasing under the IMPAC program. RMBCS reports are good management tools to ensure consistency in account information and to provide overall monitoring of the program. For example, the RMBCS Declined Transaction Report, which contains attempted purchases, provided excellent insight into potential split purchases, attempts to exceed spending limits, potential improper transactions, and unauthorized vendors.

***Program coordinators did not establish adequate training guidelines***

Program coordinators at eight locations did not establish adequate training guidelines. Specifically, PCs did not:

- retain adequate documentation of when cardholders received training at four locations;<sup>2</sup>
- require the cardholders and approving officials to sign a statement certifying that they understand the procedures and penalties associated with misuse of the card at six locations; and
- provide specific training on responsibilities for approving officials (not general cardholder training) at six locations.

The PC is responsible for overseeing the IMPAC program and establishing guidelines for each Center. This responsibility includes the development of training. However, this responsibility is broadly defined in the NFS and, without minimum standards established for the Agency, is subject to varied interpretations. As a result of our review, one PC immediately added certifications of training to the local program.

***RECOMMENDATION 1***

The Associate Administrator for Procurement should direct the Agency Program Coordinator at NASA Headquarters, in conjunction with procurement officers at

---

<sup>2</sup> Our interviews with cardholders and program coordinators revealed that 52 (25.6 percent) of 203 cardholders received less than the required 4 hours of training and 5 (2.5 percent) of 203 cardholders received no training.

each Center, to define the specific duties and responsibilities of IMPAC program coordinators. Duties should include:

- performing periodic reviews of the program,
- establishing adequate recordkeeping and monitoring techniques, and
- developing adequate training guidelines.

We suggest that periodic reviews at each Center be forwarded to the NASA Agency Program Coordinator for oversight of the NASA-wide program. Further, we suggest the PCs improve monitoring by :

- a) updating account information and ensuring changes are made;
- b) reconciling IMPAC records with those of RMBCS and/or local finance and personnel offices; and
- c) determining which RMBCS reports are useful for monitoring and eliminating any unnecessary reports.

Finally, we suggest that PCs ensure effectiveness of credit card training by requiring:

- a) documented certifications of training for all cardholders and approving officials, and
- b) approving officials to receive training on their responsibilities.

***MANAGEMENT'S  
RESPONSE***

Concur. The General Services Administration recently awarded the successor contracts for the bank card program. The terms and conditions of the new contracts will permit NASA to address each of the elements of this recommendation in a cost effective, efficient, and consistent manner across the agency once they are available for use. The contracts are effective for all transactions placed on or after November 30, 1998.

The three elements of the recommendation will be met under GSA's new successor bank card contract's "core" requirements as follows:

1) periodic reviews of the program will be available to program monitors through the "Unusual Spending Patterns or Frequencies Reports" generated by the contractor;

2) adequate record keeping and monitoring techniques will be possible through the use of a variety of

controls/reports designed to improve card management and oversight;

3) the recommendation that NASA develop adequate training guidelines is factored into the new core training requirements. Contractors will be required to develop, maintain, and provide training for each agency customer. Training will cover operation of the card program and use of the contractor's reports for effective oversight.

Contractors will also furnish a Cardholder Guide, Agency Program Coordinator Guide, Designated Billing Office Guide, Transaction Dispute Office Guide, and other specific purpose guides, depending on the specific value added features selected.

Under this approach, all NASA personnel involved in the bank card program will receive the same training, use the same guide books, and have access to the same management reports. This should permit a high degree of standardization and consistency in management/oversight of the bank card program.

After NASA has had the opportunity to assess the contractor provided training and guide materials, the Agency Program Coordinator in cooperation with the Center Program Coordinators, will advise me if any additional, agency unique procedures/training is deemed necessary to assure adequate management and oversight of the bank card program. The development of Agency unique procedure/training by NASA will be considered only where core or valued added services provided by the contractor can not reasonably meet NASA's needs.

We view this as an on-going assessment process since GSA has made provision for vendors to provide enhancement to both core and value added features as they become available.

***EVALUATION OF  
MANAGEMENT'S  
RESPONSE***

The actions planned by management are responsive to the intent of the recommendation. We continue to believe that guidance for the Center program coordinators is necessary to ensure the "... high degree of standardization and consistency in management/oversight ..." of the credit card program noted in management's response. During planning and implementation for the new credit card contract, consider requiring use of reports

for reviews, recordkeeping, and monitoring, versus making them “available” and “possible.” We agree to close this recommendation, even though actions are planned and not yet accomplished, based on our plan to follow up on the credit card program within the next 2 years.

***ADDITIONAL PAYMENT  
CONTROLS NEEDED***

Credit card payments at seven locations were made without the required certifications and/or verification of authenticity (see Appendix F for details). Specifically,

- 6 cardholders did not certify the accuracy of their monthly statements,
- 4 cardholders’ statements of account had no approving official certification,
- 15 cardholders’ statements of account were certified by someone other than the designated AO or alternate AO, and
- 7 billing office locations did not maintain current records of signature authority.

This occurred because the cardholders and/or AOs did not follow local guidance and the billing office did not obtain proper certification from the AO before or after payment. In addition, the billing office did not maintain current records of AOs and their alternates to ensure authenticity of certifications. Further, the billing office did not conduct periodic comparisons of AO signatures with records on file to test authenticity. As a result, there was no assurance that (1) monthly statements were accurate, (2) payments made for goods and services were actually received, and (3) the approving officials were authorized to certify the statements.

The NFS requires both the cardholder and the approving official to sign monthly statements as an additional internal control procedure to compensate for the risk inherent with IMPAC purchases.<sup>3</sup> The approving official provides a critical checkpoint by reviewing the cardholders’ transactions to ensure that they are necessary and for official Government purposes only. Accounting

---

<sup>3</sup> The NFS specifically required both signatures at the time of our audit. The NFS was subsequently shortened, and the specific requirement was removed. However, the revised NFS does require compliance with GSA instructions, and those instructions require the contractor to provide instructions to all Government cardholders. The contractor instructions require both cardholder and approving official signatures.

personnel then rely on the certified statements signed by the approving official and cardholder to support obligations and payments. Certification controls must be enforced at all levels to ensure propriety of payments.

***RECOMMENDATION 2***

The Associate Administrator for Procurement should work with financial management personnel and establish internal control procedures to ensure the authenticity of certifications. We suggest including (a) random comparison of records for authorized signatures and (b) prompt notification to the finance office of changes in approving official and alternate approving official accounts.

***MANAGEMENT'S RESPONSE***

Concur. We agree that the Center Program Coordinators must be diligent in alerting the finance office of any changes in cardholders or approving officials. They must also notify Rocky Mountain Bankcard system of any cancelled credit card accounts immediately.

Before the new NASA bank card vendor is selected in November 1998, the Associate Administrator for Procurement will ask each of the NASA Center Procurement Officers to work with their respective Center's Financial Offices to ensure that the issues regarding purchase card authenticity of certification for payment are addressed and corrected. We expect this problem to be corrected through additional training of card holders and authorizing officials, implementation of processes to inform the Center Financial Offices of changes in card holder and authorizing official status, and periodic random sampling of card holder and authorizing official certifications to ensure proper payments are made.

***EVALUATION OF MANAGEMENT'S RESPONSE***

The actions planned by management are responsive to the intent of the recommendation. We agree to close the recommendation, even though actions are planned and not yet accomplished, based on our plan to follow up on the credit card program within the next 2 years.

***ADDITIONAL SAVINGS POSSIBLE THROUGH IMPROVED OVERSIGHT***

NASA can realize additional savings through improved oversight of the IMPAC program. Specifically, goals were not established to encourage maximum use of the program, and other performance measures were not specified that would provide critical management information to guide and direct program activities. NASA

can potentially realize additional savings through improved management of the IMPAC program<sup>4</sup> that results in its expanded use in accordance with established policies and procedures.

We found that limited oversight was provided to transactions costing less than \$2,500 that were processed by procurement offices and were otherwise eligible to be completed using a credit card. Statistics on the volume of such transactions would provide helpful information to management on areas to improve credit card usage. Similarly, statistics on the dollar and transaction volume being processed through credit cards would serve to identify organizations where utilization could be improved as well as to highlight success stories and the resultant positive impact on operating costs and lead time for delivery of goods and services. We also found situations in which issued credit cards were not being used, cards were not issued to organizations that could otherwise take advantage of the program, and significantly different numbers of cards were issued to cardholders at different locations (see Appendix C). In such cases, we would expect management action to determine whether unused cards should be withdrawn and cards are issued only as required to effectively implement the overall program.

Another important benefit of establishing performance measures for the IMPAC program is that such activity is a part of a sound internal control structure that can prevent or detect instances in which the program is not being executed in accordance with management direction. For example, information on average card usage could be used to detect situations of excessive usage of individual cards that require management attention. Other information on usage patterns obtained in the process of collecting performance information could similarly be used to ensure that the program is being implemented as intended and to act as a deterrent to misuse of the responsibility and authority associated with being issued a card.

---

<sup>4</sup> A study, conducted by the purchase card council of 10 executive branch agencies, showed a savings of \$53.77 for processing each credit card transaction as compared with the cost of processing purchase orders.

**RECOMMENDATION 3**

The Associate Administrator for Procurement should:

- establish goals for NASA to increase the use of the credit cards when making small purchases; and
- monitor agency performance relative to the Government-wide program and take appropriate action to encourage greater use of the credit card.

**MANAGEMENT'S  
RESPONSE**

Nonconcur. The growth in both the number of cardholders and the dollar amount of purchases has been dramatic. We believe goals are unnecessary.

Use, control and management of the bank card program is a topic routinely covered in our Procurement Management Survey Reports. Where application of the program is deemed to be lagging, Procurement Officers are given a recommendation relative to how they may improve their center's participation in the program.

Finally, under the new GSA bank program contracts, NASA has agreed to become a "mandatory user" of the purchase card. A mandatory user is precluded from purchasing similar purchase card products outside of the GSA master contract. This clearly demonstrates NASA's belief in the program and our commitment to use it to the best economic benefit of the agency.

Comparison of NASA card usage with other agencies would not be valid because of the vast difference in our missions.

**EVALUATION OF  
MANAGEMENT'S  
RESPONSE**

We agree that the use of the credit card has increased significantly, but are still concerned that a large number of purchases under \$2,500 may be processed through a NASA procurement office, rather than with the credit card. Based on our 3-month sample in the audit, we found more than 5,200 purchases, each under \$2,500, that were processed by procurement offices, rather than purchased by individual organizations with the credit card. We estimate that such purchases cost NASA more than \$1 million extra in processing costs annually (based on costs in the purchase card council study). Further, updated credit card purchase statistics, as of March 1998, still show a wide variation in the use of the credit card

among NASA Centers. In March 1998, Ames Research Center, for example, showed 1,687 credit card purchases for a total of \$917,006, while Johnson Space Center, the largest NASA Center, showed only 319 credit card purchases for a total of \$120,649.

Becoming a “mandatory user” under the new GSA bank card program does not preclude purchases under \$2,500 from being processed through procurement offices rather than using the credit card. The mandatory user agreement simply means that an agency will use the GSA contract as a mandatory source for purchase card products and services. The agreement does not address how the purchases will be made.

Other Federal agencies have mandated that all purchases under \$2,500 be made with a credit card. The Drug Enforcement Agency, for example, is one such agency. Also, at least one NASA Center has issued local guidance that the procurement office will not accept requests for purchases under \$2,500 (that is, the credit card must be used).

At a recent Conference on Electronic Commerce in the States (December 11 and 12, 1997), the credit card programs were discussed in detail. A representative of the Department of the Treasury presented numerous slides that compared credit card usage among the various Federal agencies, including NASA. Benchmarking (that is, the process of comparing performance by different organizations and learning how to improve from the best performers) is an accepted practice. In fact, it is a method used to attain the goals of the National Performance Review. Comparing an agency’s approach to how particular jobs get done by the best in the business, in or outside Government, will show where action is needed to generate improvement. At the electronic commerce conference, at least five Federal agencies were achieving more than 90 percent of potential purchases using the credit card. NASA was achieving about 70 percent of potential purchases.

NASA’s own Benchmarking Guidance and Policy states that benchmarking “... will help the organization **take action** to improve its performance, can accelerate



NASA's organizational transformation and help institutionalize continual improvement." We believe NASA could further improve its credit card program by comparing policies and practices with the other Federal agencies.

Also, Procurement Management Surveys occur at most centers only once every 3 years, so an outside review of small purchases at Centers does not occur frequently. We continue to believe that stronger Code H action, such as stating a goal for the percentage of small purchases using the credit card, would encourage the remaining NASA Centers to "accelerate" their use of credit cards thereby putting NASA funds to better use. Accordingly, we request that management reconsider making some statement of a goal at the upcoming Procurement Officers' Conference or through a memorandum, and benchmark its credit card program to other Federal agencies that are already achieving more than 90 percent of eligible purchases with the credit card.

## Additional Background

The IMPAC program is one initiative undertaken in response to Executive Order 12352, Federal Procurement Reforms, March 17, 1982, which called for reduced administrative costs and burdens on both the Government and the private sector. During 1993, the National Performance Review (NPR) established a goal of creating a Government that works better and costs less. Acquisition reform was to be implemented by:

- putting the customer first,
- expediting purchasing,
- empowering buyers to get what they really need to do their jobs effectively, and
- cutting red tape.

The credit card was identified as a component of acquisition reform in the NPR.

The current bankcard program was developed by the GSA for the purpose of extending credit card services to all Government agencies. The GSA awarded to Rocky Mountain BankCard System (RMBCS) a firm-fixed-price, requirements type contract. The contract was first awarded in 1989, renewed in March 1994, and currently runs through November 1998.

In coordination with GSA, the RMBCS developed model procedures for using the card. The NFS, part 1813 and subpart 1870.4, provides NASA guidance for carrying out these procedures. The NFS was rewritten during our audit, and in July 1997, part 1813 was abbreviated and part 1870.4 was deleted. However, our review was based on the procedures in place at the time of the review. Our recommendations take into consideration the change in requirements.

At NASA Centers, additional controls in the local credit card program exist. Contracting personnel at each Center are responsible for program administration, which includes development of internal operating procedures. A designated PC at each location has overall management responsibility for the program. AOs are assigned for each cardholder and serve as key internal controls as they review individual cardholder purchases. Other controls include: single purchase limits, independent RMBCS reports, encoded cards that block out unauthorized types of purchases, reconciliation of monthly invoices, monitoring and training by program coordinators, and review of statements by supervisors.

## Scope And Methodology

### Scope and Methodology

Our review of credit card transactions covered the billing period of August through October 1996, with expanded coverage, when necessary, to analyze potential problems. To establish the audit universe, we contacted RMBCS and received encrypted disks containing the NASA-wide billings for the period of review. From these disks, we determined that the audit universe consisted of 20,770 transactions with a total of \$12,981,816 in charges. We selected a random sample of 117 NASA-wide transactions for review. We also selected a judgmental sample of 343 transactions based on an analysis for trends (for example, locations, vendor, vendor type, date). Our combined sample of transactions included 203 cardholders out of a universe of 2,156 (as of October 1996). The selected transactions were representative of the NASA-wide IMPAC program current at the time of the audit.

We relied on computer-generated reports from the RMBCS to assess the accuracy and reliability of recorded IMPAC transactions and payments. However, we did not evaluate the applicable general and administrative controls for the RMBCS to determine the reliability of its computer-generated data.

The audit approach included:

- interviews with selected cardholders, requesters of items, approving officials, agency program coordinators, billing office personnel, and property personnel;
- computer-assisted audit techniques to analyze the credit card purchases and to aid in sample selection; and
- reviews of pertinent NASA policies, procedures, and records.

### Management Controls Reviewed

We reviewed management controls related to procurements using credit cards as described in the Federal Acquisition Regulation subpart 13.1; NFS part 1813 and subpart 1870.4; GSA guidance; and the “Credit Card Users Guide” and Credit Card Operating Procedures from the NASA locations selected for audit. Cardholders’ records were specifically reviewed to evaluate the following controls:

- the single purchase limit of \$2,500 was observed,
- requirements were not split to fall within the single purchase limit,

## Appendix B

- purchases appeared reasonable,
- statements of account were reconciled by cardholders, and
- purchases were subsequently certified by approving officials.

### Audit Field Work

Audit field work was conducted from February through July 1997 at the following locations:

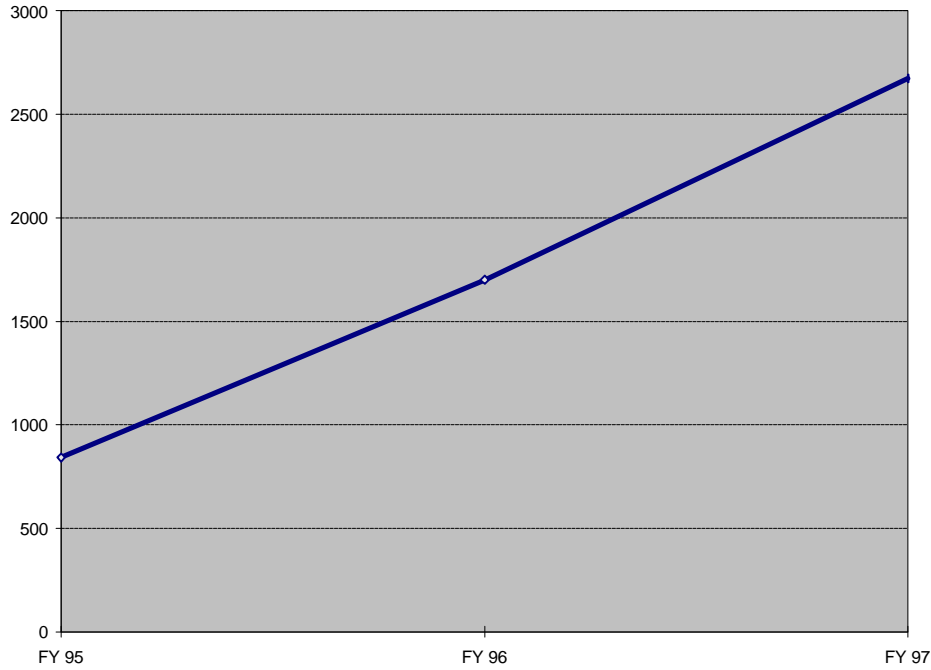
- Ames Research Center (ARC)
- Dryden Flight Research Center (DFRC)
- Goddard Space Flight Center (GSFC)
- NASA Headquarters (HQ)
- Johnson Space Center (JSC)
- Kennedy Space Center (KSC)
- Langley Research Center (LaRC)
- Lewis Research Center (LeRC)
- Marshall Space Flight Center (MSFC)
- McDonnell Douglas Aerospace Company-Huntsville (now The Boeing Company)

Audit field work was not conducted at Stennis Space Center because no credit card transactions were included in our sample. In addition, audit field work was not performed at the Jet Propulsion Lab (JPL) because the IMPAC program was not implemented there until January 1997.

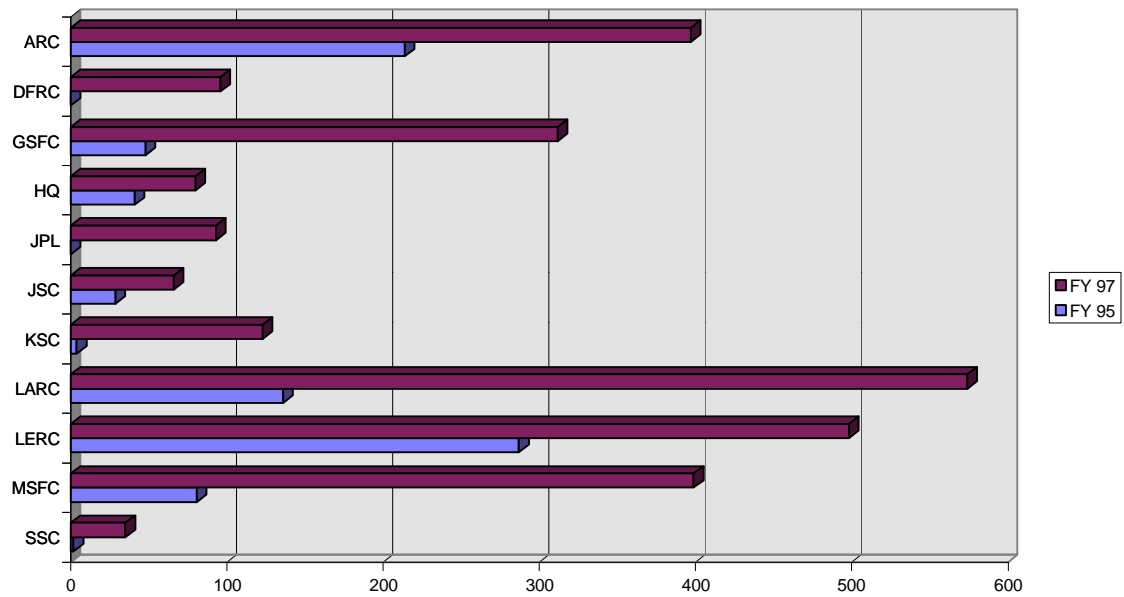
The audit was performed in accordance with generally accepted government auditing standards.

## Credit Card Growth at NASA

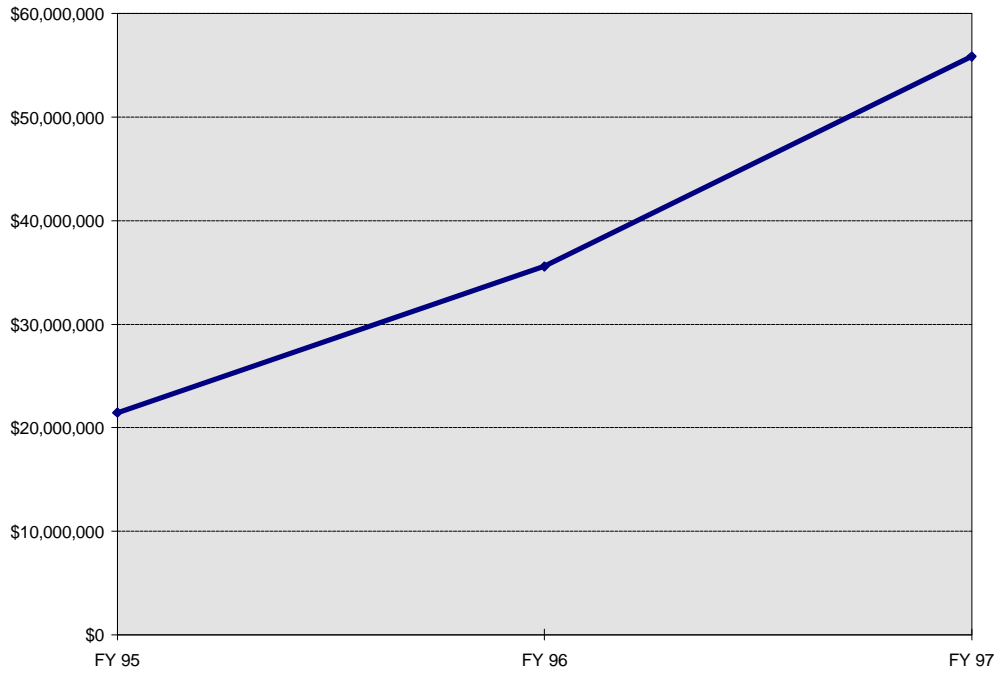
Increase in Number of Cardholders NASA-WIDE  
10/94 - 9/97



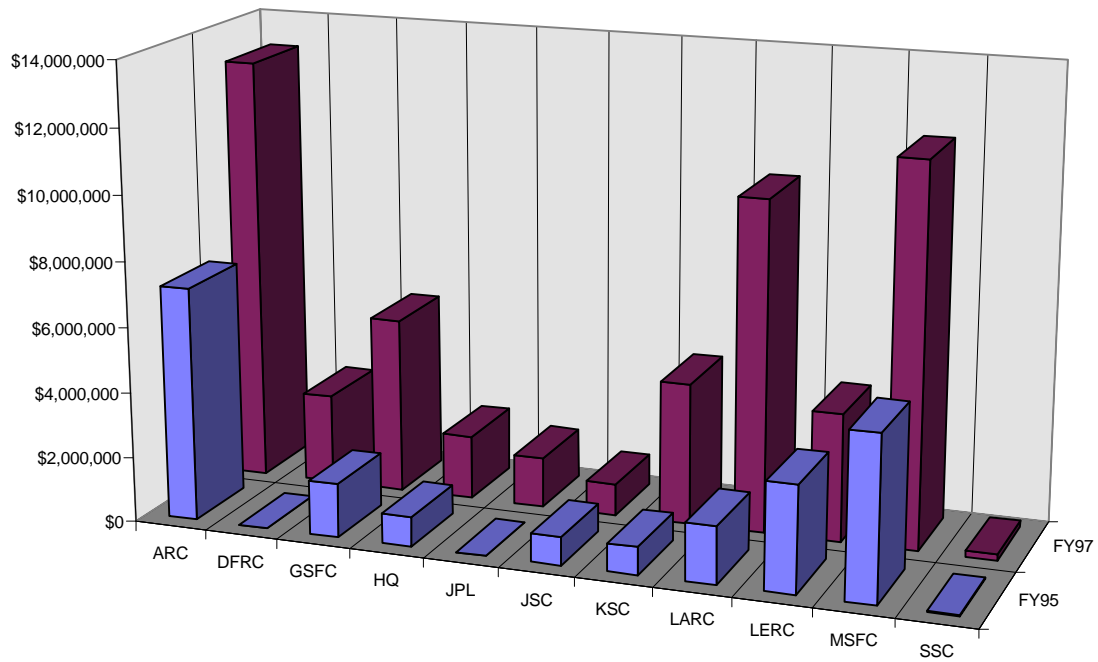
Increase in Number of Cardholders by Center  
10/94 - 9/97



Increase in NASA-wide Purchases by Dollar  
10/94 - 9/97



Increase in Center Purchases by Dollar  
10/94 - 9/97



**Audit Reports/Management Letters Issued During Audit**

***Observations Regarding the Credit Card Purchases of Accountable Property, M-IG-97-012, August 4, 1997***

**Observation**

Five NASA centers did not adequately process and record accountable property. NASA cardholders used the IMPAC credit card to purchase approximately \$2.9 million of automated data processing (ADP) equipment during one 3-month period, or an annualized amount of \$11.6 million. Of that amount, approximately \$1.7 million of ADP property will not be reported on property records. The lack of property tagging could cause ADP equipment losses to increase. Further, NASA accountable property is at risk for theft or misuse.

**Management Action**

NASA management concurred with our observation and stated they will ensure that all credit card holders are reminded of the importance of properly reporting all controlled equipment purchased using the IMPAC Card. Furthermore, a proposed change to the NFS will require that cardholders be contracting officers for purchases greater than \$2,500.

***Credit Card Split Purchases, M-IG-97-014, September 11, 1997***

**Observation**

Significant split purchases had occurred at nine NASA locations. During the audit we found 33 split purchases at these locations. The majority of split purchases involved ADP supplies and equipment, for which cardholders exceeded the \$2,500 single purchase limit. Three procurement officers with higher single purchase limits (\$10,000 or \$25,000) also split computer purchases to stay within their authorized limits.

**Management Action**

The NASA Associate Administrator for Procurement shared our concern and requested that all NASA Procurement Officers (a) take necessary corrective actions on the 33 split purchases, (b) review current bank card training and provide retraining for all existing approving officials, and (c) ensure that all present and future cardholders and approving officials understand the prohibition of splitting a requirement.

---

*Use of the Government  
Credit Card By Someone  
Other Than the Cardholder,  
IG-98-003,  
December 5, 1997*

**Observation**

We found 16 instances at 4 NASA locations, where 11 cardholders allowed other employees and contractor personnel to use their IMPAC card or account number for purchases of supplies. In our opinion, this number of instances from our limited sample indicates a systemic problem with the "loaning out" of credit cards. Credit card procedures allow the delegation of procurement authority to cardholders and prohibit the cardholder to allow anyone to use his/her card or account number. Designated cardholders do not have the authority to redelegate that authority. The 11 cardholders above, however, have allowed individuals without the required authority and IMPAC training to obligate NASA.

**Management Action**

NASA management agreed that action was required and proposes to remind and emphasize in training the prohibition against allowing anyone else to use the card. They also plan to pursue the establishment of formal penalties for unauthorized card use.



**Examples of Controls**

Other agencies and individual NASA centers have initiated various methods to promote use of purchase cards while maintaining controls. The control areas and how the control works at other various agencies and NASA centers are summarized for NASA managements' information and use.

Control Area	<b>OTHER AGENCIES</b>
Responsibility	The Department of Commerce and the Department of Veterans Affairs (VA) hold Approving Officials accountable for credit card purchases. Commerce subjects employees who knowingly misuse the card to administrative actions and/or civil and criminal prosecution.
No Prior Approval for Purchases	Most agencies agree that prior approval of credit card purchases is not efficient. The cardholder and Approving Official often informally discuss purchase requests. Exception: some agencies require prior approval for computer purchases.
Reconciliation	Some agencies allow payment of credit cards prior to reconciliation of monthly statements. The Department of Agriculture (USDA) is implementing an automated reconciliation and payment system that will have necessary oversight built in. At VA, cardholders put transactions into a computerized database, and the system maintains purchase logs on-line. The system automatically deducts each transaction from cardholders' balances, facilitating reconciliation at the end of the period.
In-House Data Bases	The Department of Commerce maintains an in-house IMPAC database for its own use and for other federal agencies (fee charged). The VA directs cardholders to input transaction data on-line. The in-house database allows VA to customize reports and simplifies the reconciliation process.
Periodic Audits	The frequency with which audits are performed at the VA depends upon the organization. The Hospital organization (most activity) is audited quarterly. The Environmental Protection Agency Office of Inspector General recommends management have the ability to conduct more than one annual review of the cardholders' activities. The Department of Commerce policies require reviews at least annually.
Training	The VA and Air Force require cardholders and approving officials to sign a statement that they have understood training provided. The Department of Commerce requires refresher training for cardholders and approving officials every two years. The Department of Labor has issued a "Cardholder Tutorial" to be used in conjunction with a video to assist credit cardholders in using the IMPAC properly. USDA provides a self study course that all credit cardholders must pass before they can use their cards. Air Force, Commerce and VA require approving officials, as well as cardholders, to attend training.
Property Accountability	The Air Force requires that purchases of nonexpendable equipment and supplies be approved in advance by the Base Supply Equipment Management Element.

## Appendix E

Control Area	<b>NASA CENTERS</b>
Reconciliation	LaRC has developed an automated reconciliation system which will also aid in helping cardholders track their funds.
Periodic Audits	JSC performs monthly random audits. KSC conducts semiannual audits. Additional reviews at ARC are conducted by quality personnel reviewing for space flight purchases. LeRC conducts weekly reviews.
Training	At JSC and LaRC, prospective cardholders are trained before application for the credit card is made. ARC, LaRC, and DFRC formalize the training process by requiring cardholders to sign a Statement of Training or by issuing certificates of training. GSFC provides one-on-one training to cardholders if necessary.
Property Accountability	LaRC has a computer form designed to alert the NASA Equipment Management System (NEMS) that controlled property has been received. LeRC established a Receiving Reengineering Team tasked with process improvements in Receiving, and implementation of Desktop Delivery Program. The goal is to provide improved small package delivery while reducing institution resources, and the project focuses on purchase of \$2,500 and below.
Encouraging Use	KSC has notified personnel that the Office of Procurement will no longer accept procurements that can be obtained with credit cards. The Procurement Division at ARC is asking holders of inactive purchase cards to explain their lack of use.
Communications	MSFC has initiated the sharing of ideas/problems/lesson learned with other centers.
Manpower	MSFC has designated the PC as a full-time position.
Procedures	DFRC has developed procedures for IMPAC card analysis, which helps technicians reconcile amounts to pay on the credit cards to the posted amount paid. Also, procedures were developed on Credit Card Interest Avoidance Payment Process to avoid late payments and avoidance of interest on overdue accounts.

Observations By Location

Observation	ARC	DFRC	GSEC	HQ	JSC	KSC	LaRC	LeRC	MSEC	MCD	INSTANCES
<b>Purchase Controls</b>	X	X	X	X	X	X	X	X	X	X	10 TOTAL
PERIODIC REVIEWS NOT CONDUCTED		X	X	X			X		X	X	6
INADEQUATE RECORDS/USE OF REPORTS:											
<i>Separated with active account</i>				X		X	X	X	X		5
<i>Cardholder is also approving official</i>				X							1
<i>Cardholders/approving officials with multiple accounts</i>					X				X		2
<i>PCs did not obtain/use RMBCS reports</i>	X	X	X	X	X		X		X	X	8
INADEQUATE TRAINING GUIDELINES:											
<i>Documentation of training lacking</i>			X	X					X	X	4
<i>Certification of understanding of procedures/penalties not required</i>			X	X	X	X			X	X	6
<i>No training For AOs</i>			X		X		X	X	X	X	6
<b>Payment Controls</b>			X	X	X	X	X	X	X		7 TOTAL
REQUIRED CERTIFICATIONS:											
<i>Accuracy of monthly statements uncertified</i>			X						X		2
<i>No AO certification</i>			X								1
<i>Certification by other than designated AO</i>			X						X		2
<i>No records of signature authority</i>			X	X	X	X	X	X	X		7

## Management's Response

National Aeronautics and  
Space Administration  
**Headquarters**  
Washington, DC 20546-0001



Reply to Attn of:

HC

APR. 1 1998


TO: W/Assistant Inspector General for Auditing

FROM: HC/Director, Analysis Division

SUBJECT: Code H Response to OIG Draft Report on the Audit of NASA's  
International Merchant Purchase Authorization Card Program  
(Assignment Number A-HA-97-069, previously A-MA-96-008)

Enclosed is our response to the subject report dated March 4, 1998.

Please call Valerie Stucky at 358-0503 or Jack Horvath at 358-0456 if you have any questions or need further coordination or assistance on this. We appreciate the opportunity to work together toward an even more effective Bankcard program.

  
Anne Guenther

Enclosure

HEADQUARTERS OFFICE OF PROCUREMENT  
RESPONSE TO  
OFFICE OF INSPECTOR GENERAL (OIG)  
DRAFT REPORT NO. A-HA-97-069  
DATED MARCH 4, 1998  
AUDIT OF NASA'S INTERNATIONAL MERCHANT  
PURCHASE AUTHORIZATION CARD PROGRAM

DATE: APR. 1 1998

ENCLOSURE

Code H Response to OIG  
3/4/98 Draft Report,  
A-HA-97-069

Code H's narrative response is provided as follows:

OIG RECOMMENDATION 1:

The Associate Administrator for Procurement should direct the Agency Program Coordinator at NASA Headquarters, in conjunction with procurement officers at each Center, to define the specific duties and responsibilities of IMPAC program coordinators. Duties should include:

- performing periodic reviews of the program,
- establishing adequate record keeping and monitoring techniques, and
- developing adequate training guidelines.

Code H Response to Recommendation 1: Concur

As you may know, the General Services Administration (GSA) recently awarded the successor contracts for the current bank card program. The terms and conditions of the new contracts will permit NASA to address each of the elements of this recommendation in a cost effective, efficient, and consistent manner across the agency once they are available for use. The contracts are effective for all transactions placed on or after November 30, 1998.

The General Services Administration (GSA) Program Guide (Enclosure 1), demonstrates that the successor bank card program has been designed to take full advantage of technology changes that have occurred in the financial arena since the Rocky Mountain contract was negotiated. Capabilities are defined by GSA at two levels within the new program. Core requirements, which all vendors must meet or exceed at no cost to the user (page 159, Enclosure 1), and value added services (page 35, Enclosure 1), that users may request and pay for on a per feature basis.

The three elements listed under recommendation one will be met under the new contract's "core" requirements as follows: 1) Periodic reviews of the program will be available to program monitors through the "Unusual Spending Patterns or Frequencies Reports" generated by the contractor; 2) adequate record keeping and monitoring techniques will be possible through the use of a variety of controls/reports designed to improve card management and oversight. For example, automatic controls will be in effect for each card that can flag and deny purchases for invalid cards (those that have been lost, stolen, suspended or canceled); and 3) the recommendation that NASA develop adequate training

guidelines is factored into the new core training requirements. Contractors will be required to develop, maintain, and provide training for each agency customer. Training will cover operation of the card program and use of the contractor's reports for effective oversight.

Contractors will also furnish A Cardholder Guide, Agency Program Coordinator Guide, Designated Billing Office Guide, Transaction Dispute Office Guide, and other specific purpose guides, depending on the specific value added feature selected (page 162, Enclosure 1).

Under this approach, all NASA personnel involved in the bank card program will receive the same training, use the same guide books, and have access to the same management reports. This should permit a high degree of standardization and consistency in management/oversight of the bank card program.

After NASA has had the opportunity to assess the contractor provided training and guide materials, the Agency Program Coordinator, in cooperation with the Center Program Coordinators, will advise me if any additional, agency unique procedures/training is deemed necessary to assure adequate management and oversight of the bank card program. The development of Agency unique procedures/training by NASA will be considered only where core or value added services provided by the contractor can not reasonably meet NASA's needs.

We view this as an on-going assessment process since GSA has made provision for vendors to provide enhancements to both core capabilities and value added features as they become available. Changes in the mix and capabilities of either category would require NASA to reassess the continued need for any agency unique procedures/training requirements that it may, from time to time, develop.

We request that this recommendation be closed.

OIG RECOMMENDATION 2:

The Associate Administrator for Procurement should work with financial management personnel and establish internal control procedures to ensure the authenticity of certifications.

CODE H RESPONSE TO RECOMMENDATION 2: CONCUR

To streamline the bankcard process, the monthly bankcard statements of purchases go directly to the Center finance offices after the cardholders and approving officials sign them. They do not come through the Procurement office. We agree that the Center Program Coordinators must be diligent in alerting the finance office of any changes in cardholders or approving officials. They must

also notify Rocky Mountain Bankcard System of any cancelled credit card accounts immediately.

Before the new NASA bank card vendor is selected and begins performance in November 1998, the Associate Administrator for Procurement will ask each of the NASA Center Procurement Officers to work with their respective Center's Financial Offices to ensure that the issues regarding purchase card authenticity of certifications for payment identified by this OIG audit are addressed and corrected. We expect this problem to be corrected through additional training of card holders and authorizing officials, implementation of processes to inform the Center Financial Offices of changes in card holder and authorizing official status, and periodic random sampling of card holder and authorizing official certifications to ensure proper payments are made.

The new GSA bank card contractors have offered electronic systems that enable agencies to integrate front-end and/or back-end administrative and financial processes. At a minimum front-end processes include account set-up, account maintenance, and customer service; back-end integration includes account reconciliation, reporting, and invoicing. We expect process steps from "account holder status" through "authentication of certification of invoices for payment" to occur electronically under the new bank card program.

In addition, under the new bank card contracts, NASA will have the ability to select value-added service features that range from biometrics data (finger prints); digital signature certification; PIN numbers coded to an individual card holder; or other "audit" trail methods (page 41, Enclosure 1). These extra cost features are in addition to many core security features identified in the GSA Program Guide.

We request that this recommendation be closed.

OIG RECOMMENDATION 3:

The Associate Administrator for Procurement should:

- establish goals for NASA to increase the use of the credit cards when making small purchases; and
- monitor agency performance relative to the government-wide program and take appropriate action to encourage greater use of the credit card.

CODE H RESPONSE TO RECOMMENDATION 3:      NONCONCUR



As the charts on pages 12 and 13 of your report depict so well, the growth in both the number of cardholders and the dollar amount of purchases has been dramatic. We believe goals are unnecessary.

Use, control and management of the bank card program is a topic routinely covered in our Procurement Management Survey Reports. Where application of the program is deemed to be lagging, Procurement Officers are given a recommendation relative to how they may improve their center's participation in the program.

Finally, under the new GSA bank program contracts, NASA has agreed to become a "mandatory user" of the purchase card, fleet and travel services programs. A mandatory user is precluded from purchasing similar core fleet, travel and/or purchase card products outside of the GSA master contract. This clearly demonstrates NASA's belief in the program and our commitment to use it to the best economic benefit of the agency (page 191, Enclosure 1).

NASA's decision to become a "mandatory user" and what is expected of us as an agency will be discussed at the upcoming Procurement Officers' Conference in April 1998.

Comparison of NASA card usage with other agencies would not be valid because of the vast difference in our missions.

We request that this recommendation be closed.

**Note: Enclosure 1, excerpts from the February 1998, GSA Fleet, Travel, and Purchase Payment System-Program Guide, was not included in this report due to its volume. We will be glad to provide a copy of Enclosure 1 upon request, or the GSA program guide is available on <http://pub.fss.gsa.gov/fm/future/index.html>.**

**REPORT DISTRIBUTION**

**National Aeronautics and Space Administration (NASA) Headquarters**

Code B/Chief Financial Officer (CFO)  
Code B/Comptroller  
Code C/Headquarters Operations  
Code G/General Counsel  
Code H/Associate Administrator for Procurement  
Code J/Associate Administrator for Management Systems and Facilities  
Code JM/Management Assessment Division  
Code L/Associate Administrator for Legislative Affairs

**NASA Director, Field Installations**

Ames Research Center  
Dryden Flight Research Center  
Goddard Space Flight Center  
Johnson Space Center  
Kennedy Space Center  
Langley Research Center  
Lewis Research Center  
Marshall Space Flight Center

**NASA Offices of Inspector General**

Ames Research Center  
Goddard Space Flight Center  
Jet Propulsion Laboratory  
Lyndon B. Johnson Space Center  
John F. Kennedy Space Center  
Langley Research Center  
Lewis Research Center  
George C. Marshall Space Flight Center  
John C. Stennis Space Center

**Non-NASA Federal Organizations and Individuals**

Assistant to the President for Science and Technology Policy  
Deputy Associate Director, Energy and Science Division, Office of Management and Budget  
Budget Examiner, Energy Science Division, Office of Management and Budget  
Associate Director, National Security and International Affairs Division,  
General Accounting Office

## Appendix H

Special Counsel, Subcommittee on National Security, International Affairs, and  
Criminal Justice  
Professional Assistant, Subcommittee on Science, Technology, and Space  
c/o Tom Cooley

### **Chairman and Ranking Minority Member - Congressional Committees and Subcommittees**

Senate Committee on Appropriations  
Senate Subcommittee on VA-HUD-Independent Agencies  
Senate Committee on Commerce, Science and Transportation  
Senate Subcommittee on Science, Technology and Space  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on VA-HUD-Independent Agencies  
House Committee on Government Reform and Oversight  
House Committee on Science  
House Subcommittee on Space and Aeronautics, Committee on Science

### **Congressional Members**

The Honorable Pete Sessions, U.S. House of Representatives