




OFFICE OF INSPECTOR GENERAL
EXPORT-IMPORT BANK
of the UNITED STATES

Audit of Export-Import Bank's Purchase Card Program

September 26, 2012
OIG-AR-12-06



To: Michael Cushing
Senior Vice President, Resource Management

From: Rebecca Sharek 
Assistant Inspector General for Audits

Subject: Audit of Export-Import Bank's Purchase Card Program

Date: September 26, 2012

This memorandum transmits Audit Report OIG-AR-12-06, "Audit of Export-Import Bank's Purchase Card Program." The audit was initiated to determine whether the Export-Import Bank's (1) purchase card policies and procedures comply with federal regulations, and (2) controls are adequate to ensure compliance with those policies and procedures.

The audit found that the Export-Import Bank's policies and procedures were generally designed to detect and prevent unauthorized and potentially fraudulent transactions; however, Bank personnel did not consistently follow the procedures. We made six recommendations for corrective action. Management concurred with the recommendations. We consider management's proposed actions to be responsive to our recommendations. The recommendations will be closed upon completion and verification of the proposed actions.

We appreciate the courtesies and cooperation extended to us during the audit. If you have questions, please contact me at (202) 565-3169 or rebecca.sharek@exim.gov.

cc: Fred Hochberg, Chairman and President
Alice Albright, Executive Vice President and Chief Operating Officer
Audit Committee
David Sena, Senior Vice President and Chief Financial Officer
Patricia Wolf, Supervisory Accountant
William Boyd, Chief Acquisition Officer
Thomas Campbell, Chief of Contracting Operations
Kathleen Kern, Contracting Officer

The Export-Import Bank of the United States (Ex-Im Bank) is the official export-credit agency of the United States. Ex-Im Bank is an independent, self-sustaining executive agency and a wholly-owned U.S. government corporation. The Bank's mission is to support jobs in the United States by facilitating the export of U.S. goods and services. The Bank provides competitive export financing and ensures a level playing field for U.S. exports in the global marketplace.

The Office of Inspector General, an independent office within Ex-Im Bank, was statutorily created in 2002 and organized in 2007. The mission of the Ex-Im Bank Office of Inspector General is to conduct and supervise audits, investigations, inspections, and evaluations related to agency programs and operations; provide leadership and coordination as well as recommend policies that will promote economy, efficiency, and effectiveness in such programs and operations; and prevent and detect fraud, waste, abuse, and mismanagement.

ACRONYMS

AO	Approving Official
APC	Agency Program Coordinator
CIO	Chief Information Officer
CAO	Chief Acquisition Officer
E&IT	Electronic and Information Technology
FAR	Federal Acquisition Regulation
FY	Fiscal Year
GSA	General Services Administration
OMB	Office of Management and Budget
TFM	Treasury Financial Manual

Executive Summary

Audit of Export-Import Bank's Purchase Card Program Audit Report OIG-AR-12-06 September 26, 2012

Why We Did This Audit

Traditionally, purchase cards are at high risk for misuse, fraud, waste, and abuse. In fiscal years 2010 and 2011, the Export-Import Bank's (Ex-Im Bank) 33 cardholders spent a total of \$2.1 million on purchase card transactions. If Ex-Im Bank has not implemented sufficient internal controls over its purchase card program, the Bank may not be able to prevent or promptly detect fraudulent purchases or other improper use of the cards.

What We Recommended

To improve controls over its purchase card program, we recommended that Ex-Im Bank ensure all program participants complete required training and obtain current delegation memos as soon as practicable, develop internal training emphasizing controls over the weaknesses we observed, revise its purchase card policy to clearly describe restrictions on the use of convenience checks, and perform a comprehensive annual review of the program. Management concurred with our recommendations. We consider management's comments and proposed actions to be responsive to our recommendations. The recommendations will be closed upon completion and verification of the proposed actions.

What We Found

For this audit, we examined 845 purchases, totaling \$715,595, made by 13 of Ex-Im Bank's 33 cardholders in fiscal years 2010 and 2011 and determined that the Bank lacks sufficient controls over its purchase card program. Although Ex-Im Bank's policies and procedures were generally designed to detect and prevent unauthorized and potentially fraudulent transactions, and we found no evidence of fraudulent purchases, Bank personnel did not consistently follow the procedures. For example, of the 845 purchases reviewed:

- 741 (or 88 percent) did not have documented prior approval as required by Ex-Im Bank and Office of Management and Budget policy.
- 117 (or 14 percent) were made using multiple transactions, thereby circumventing single purchase limits.
- 6 (or 1 percent) involved questionable use of convenience checks, which incurred unnecessary fees.

Additionally, purchase card program participants did not always maintain receipts or review and reconcile records in a timely manner.

These conditions occurred due to a general lack of knowledge, effective training, and good recordkeeping. For example, prior to our audit, none of Ex-Im Bank's cardholders had a current Delegation of Procurement Authority that informed them of Ex-Im Bank policy and government-wide regulations, authorized them to use a purchase card within certain boundaries, and documented their purchase limits. In addition, although 30 of the Bank's 33 cardholders completed the required General Services Administration training, we could only verify that half of the Approving Officials had completed such training. Furthermore, Ex-Im Bank does not offer required agency-specific training.

We also noted that Ex-Im Bank had not established clear procedures for ensuring electronic and information technology purchases are compliant with Section 508 of the Rehabilitation Act.

Ex-Im Bank's purchase card program coordinator has initiated efforts to improve controls over the program. However, additional improvements and management attention are needed to further strengthen Ex-Im Bank's purchase card program.

For additional information, contact the Office of the Inspector General at (202) 565-3908 or visit www.exim.gov/oig.

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INTRODUCTION

Background

A United States Government purchase card is an internationally accepted credit card issued to authorized personnel through the General Services Administration (GSA) SmartPay Program.¹ The cards allow authorized personnel to purchase goods and services directly from vendors in support of agency needs, and have been designated by the Federal



Figure 1: GSA-issued purchase card; Source: GSA

Acquisition Regulation (FAR) as the preferred method for purchases that do not exceed \$3,000 – commonly referred to as micro-purchases.² Like other federal agencies, the Export-Import Bank of the United States (Ex-Im Bank or the Bank) uses purchase cards to streamline the acquisition process and reduce the administrative cost of processing such small dollar purchases.

Since 1998, Ex-Im Bank has obtained purchase cards from Citibank through GSA. The cards are issued to individual

Ex-Im Bank employees; however, the associated accounts are billed to and paid directly by the Bank. In fiscal year (FY) 2010 and 2011, Ex-Im Bank's cardholders spent a total of \$2.1 million on purchase card transactions. Generally, cardholders purchased training, printing services, office supplies, cell phone and other information technology equipment and services, and goods and services for authorized Bank events and seminars.

In addition to the GSA purchase card, select personnel in the Ex-Im Bank Office of Contracting Services are granted authority to write convenience checks from their purchase card accounts.³ Convenience checks are preprinted, pre-numbered, two-ply copy checks issued to designated users and intended only for use with merchants who do not accept purchase cards. The use of a convenience check incurs a "cash advance" fee of

¹ The GSA SmartPay Program provides charge card products and services, including purchase cards, to over 350 U.S. Government agencies and departments. The cards are provided through master contracts with three national banks: Citibank, JP Morgan Chase, and U.S. Bank.

² FAR, Part 13: Simplified Acquisition Procedures, Subpart 13.2, "Actions At or Below the Micro-Purchase Threshold."

³ Only GS-1102 series staff in Ex-Im Bank's Office of Contracting Services have purchase card accounts with convenience checks.

approximately 2 to 3 percent of each transaction amount. In addition, the Department of the Treasury has ruled that checks are not electronic funds transfer compliant as required by Public Law 104-134, the Debt Collection Improvement Act of 1996.⁴ As such, the Office of Management and Budget (OMB) has stated that convenience checks should be used as a payment method of last resort and only when no reasonable alternative merchant is available who meets agency needs and accepts purchase cards.⁵

Relevant Regulations, Policies, and Procedures. Ex-Im Bank's purchase card program is subject to guidance from GSA and policies, procedures, and instructions set forth in the FAR and by the Department of the Treasury's Treasury Financial Manual (TFM).⁶ In addition, OMB Circular A-123, Appendix B establishes minimum requirements and suggested best practices federal agencies should use to reduce the risk of fraud, waste, and error in U.S. Government charge card programs. To supplement government-wide regulations and guidance, Ex-Im Bank created an internal policy – RM-2010-01, "Assignment and Use of Government Purchase Cards," April 15, 2011 (Ex-Im Bank's Purchase Card Policy). Generally, the policy:

- states that purchase cards may only be used to pay for authorized goods and services in support of the Bank's mission and operations;
- establishes the roles, responsibilities, and procedures for each type of purchase program participant: cardholders, Approving Officials (AOs), and the Agency Program Coordinator (APC);
- requires cardholders and AOs to complete initial and, every 3 years, refresher purchase card training; and
- specifies prohibited items and items requiring special approval before purchase.

Purchase Card Program Roles and Responsibilities. Ex-Im Bank's Chief Acquisition Officer (CAO) is responsible for ensuring that Ex-Im Bank's Purchase Card Policy complies with all applicable GSA, FAR, Treasury, and OMB requirements and for initiating disciplinary actions for the improper, fraudulent, or abusive use of purchase cards. The CAO issues to each cardholder a Delegation of Procurement Authority which confers the authority to use a purchase card; establishes purchase limits and expiration date of the authority; and communicates to cardholders the specific controls, prohibitions, and requirements that help deter purchase card abuse and misuse. A sample Ex-Im Bank Delegation of Procurement Authority is shown in Appendix B.

⁴ The Debt Collection Improvement Act of 1996 requires that, with limited exceptions, Federal payments be made through electronic means.

⁵ OMB Circular A-123, Appendix B, "Improving the Management of Government Charge Card Programs," revised January 15, 2009.

⁶ TFM, Volume 1, Part 4, Chapter 4500, "Government Purchase Cards."

Ex-Im Bank’s CAO also appoints an APC to manage the purchase card program. The APC is responsible for day-to-day operations of the program, including ensuring implementation of internal controls, supporting AOs in their monitoring of cardholders, and auditing cardholders’ and AOs’ files. The APC also serves as a liaison between Ex-Im Bank, Citibank, and appropriate federal agencies (including GSA) and prepares Ex-Im Bank-specific training materials for cardholders and AOs.

AOs are Ex-Im Bank supervisory staff given authority and appropriate training to review and approve cardholders' monthly purchases and credit card statements. AOs are responsible for ensuring that all assigned cardholders comply with the limits of their Delegation of Procurement Authority, purchases are appropriate, charges are reasonable and funding is available under organizational budgets, and items purchased were properly received and inventoried.

Cardholders are responsible for obtaining AO approval of all items before making purchases, ensuring purchases comply with Ex-Im Bank’s Purchase Card Policy and government-wide regulations, and maintaining current and historical purchase records, including receipts, evidence of AO approval, and a monthly Purchase Card Activity Log. As shown in Figure 2, cardholders receive monthly statements from Citibank. Each month, cardholders must verify all charges on the statement and provide their AO with a copy of the statement and supporting documents corroborating each charge. The AOs must review and approve monthly statements of their subordinate cardholders and provide the statements and supporting documents to the APC for review. The APC then reviews, approves, and submits all statements to the Ex-Im Bank Office of Administration and Security, which forwards the information to the Office of the Chief Financial Officer for payment.

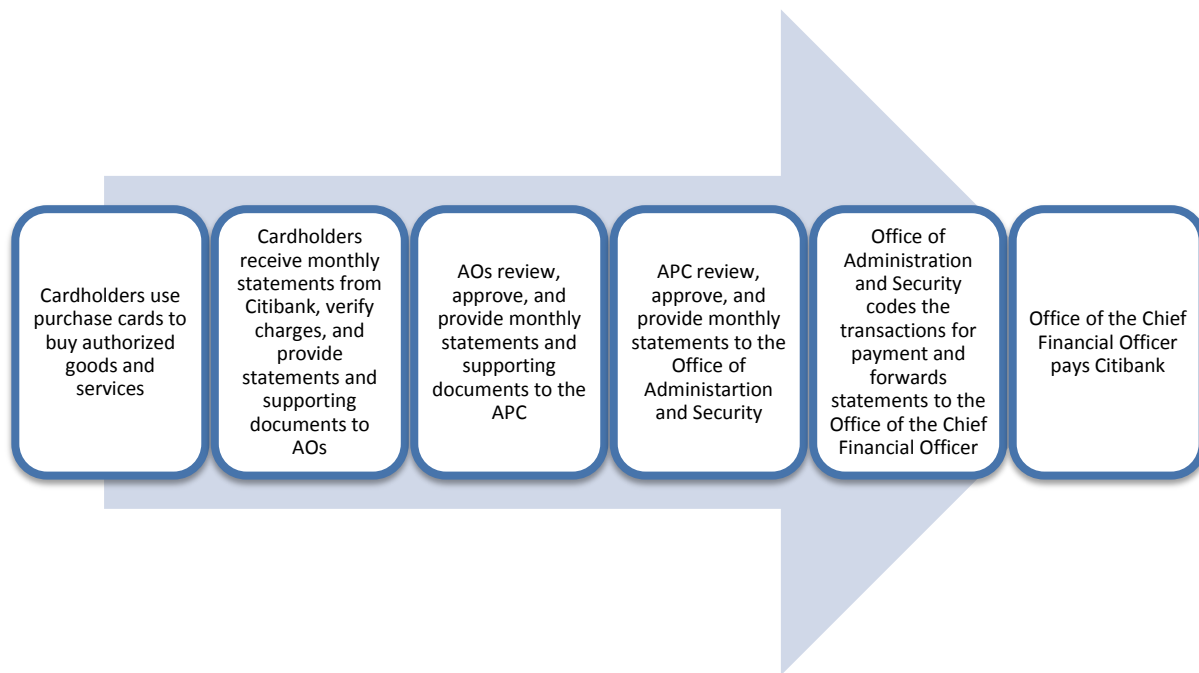


Figure 2. Purchase card process, including monthly review and reconciliation activities.

Per Ex-Im Bank's Purchase Card Policy, all monthly review and reconciliation activities must occur within 10 days after the end of the billing cycle to ensure that payments to Citibank are made according to the Prompt Payment Rule, 5 CFR 1315.

Objectives

Our objectives were to determine whether Ex-Im Bank's (1) purchase card policies and procedures comply with federal regulations, and (2) controls are adequate to ensure compliance with those policies and procedures. See Appendix A for details of the audit's scope and methodology; our review of internal controls, federal laws, regulations, policies, and guidance; and a list of prior audit coverage.

Finding: Controls over Ex-Im Bank’s Purchase Card Program Need Strengthening

Ex-Im Bank lacks sufficient controls over its purchase card program. Although the Bank's policies and procedures generally complied with federal regulations and were designed to detect and prevent unauthorized and potentially fraudulent purchase card transactions, we determined that Ex-Im Bank employees did not consistently follow the procedures. For example, of the 845 purchases we reviewed:

- 741 (or 88 percent) did not have the documented prior approval of the designated AO or supervisor, as required by Bank policy and OMB Circular A-123, Appendix B.
- 117 (or 14 percent) were made using multiple transactions, thereby circumventing the cardholder’s single purchase limit and avoiding requirements for competition that apply to purchases in excess of the micro-purchase threshold.
- 6 (or 1 percent) involved questionable use of convenience checks, which incurred unnecessary fees.

Additionally, cardholders, AOs, and the APC did not always fulfill their obligations for maintaining receipts or reviewing and reconciling statements and other purchase card records in a timely manner. These conditions occurred due to a general lack of knowledge, effective training, and good recordkeeping. For example, prior to our audit, none of Ex-Im Bank’s cardholders had a current Delegation of Procurement Authority that informed them of Ex-Im Bank policy and government-wide regulations, authorized them to use a purchase card within certain boundaries, and documented their single and monthly purchase limits. In addition, although 30 of the Bank’s 33 cardholders completed the required GSA training, we could only verify that half of the AOs had completed such training. Furthermore, none of the cardholders or AOs had completed Ex-Im Bank-specific training, as required by Bank policy and the TFM, since Ex-Im Bank does not offer such training. Collectively, these weaknesses place Ex-Im Bank purchase cards at an increased risk for misuse, fraud, waste, and abuse. The APC has initiated efforts to improve controls over the program; however, additional improvements and management attention are needed to strengthen Ex-Im Bank’s purchase card program.

Majority of Purchases Reviewed Did Not Have Documented Prior Approval

According to Ex-Im Bank’s Purchase Card Policy, AOs play “the most important role in preventing fraud and abuse of purchase cards” since they are accountable for verifying that cards are used appropriately, reporting suspected fraud, and monitoring for the reasonableness of purchases. To facilitate the AO’s role, Ex-Im Bank’s policy requires

cardholders to obtain approval from their AO or immediate supervisor before making a purchase. Specifically, the cardholder is required to send their AO or supervisor an e-mail requesting permission to purchase an item and attach an item description and/or picture, estimated cost, expected delivery date, and justification for the purchased item. The reply email approving the purchase is then attached to the cardholder's Purchase Card Activity Log, where all purchases for the month are recorded. In addition to Ex-Im Bank's requirements, OMB Circular A-123, Appendix B states that all Government purchase cardholders should "document availability of funds at the time of each purchase and obtain **prior approval** (emphasis added) before making self-generated purchases."

When questioned, most Ex-Im Bank cardholders stated that they were aware of the pre-approval requirement. However, all 13 cardholders included in our review made purchases without obtaining or documenting the required prior approval. Specifically, we reviewed the Purchase Card Activity Logs and attached supporting documentation for all 13 cardholders and found no evidence to support that 741 (or 88 percent) of the 845 transactions we reviewed received prior approval from a supervisor or AO. These purchases totaled about \$630,000.

Some cardholders told us that their AO only requires them to seek prior approval for non-routine or large purchases. Others stated that they do seek and obtain approval; however, AO approval may not always be documented. Ex-Im Bank's requirements for prior AO or supervisory approval could be met with a simple exchange of emails and should occur to maintain proper controls. Without obtaining supervisory or AO approval before making a purchase, cardholders could exceed the scope of their authority, purchase improper items or items that are not needed, or commit funds that are unavailable. Further, the lack of documented AO approval reduces the APC's ability to fulfill her responsibilities for providing adequate management oversight of the approval process as there is no audit trail, which increases the risk that fraudulent, improper, and other abusive activity will occur without detection.

Cardholders Split Purchases, Circumventing Controls over Single Purchase Limits

With the exception of certain contracting officials, Ex-Im Bank purchase cardholders are subject to single purchase limits that correspond to the micro-purchase thresholds established by FAR Part 2.101. These thresholds are: \$3,000 for goods, \$2,500 for services subject to the Service Contract Act (professional services), and \$2,000 for services subject to the Davis-Bacon Act (construction and other non-professional services). We analyzed all 845 transactions included in our review to determine whether cardholders circumvented these single purchase limits.

According to Ex-Im Bank's Purchase Card Policy, "Purchases from the same vendor or for the same item within one billing cycle are considered one purchase and are subject to the micro-purchase threshold and [cardholder] per purchase limit[s]." The policy specifically instructs cardholders: "Do not split an order to stay below the assigned per purchase limit." Further, FAR Part 13 prohibits splitting transactions to avoid requirements that apply to

purchases exceeding the micro-purchase thresholds, including requirements for competition. If a cardholder has a legitimate need to exceed an individual per purchase limit, Ex-Im Bank's Purchase Card Policy requires the cardholder to submit a Requisition for Supplies/Services to the Office of Contracting Services for approval. However, we found that 117 (or 14 percent) of the 845 transactions we reviewed were part of a split transaction as defined by Ex-Im Bank, and there was no documented approval of these split purchases. The purchases included:

- \$10,839 for office paper from one vendor split into six transactions in one day;
- \$9,500 for membership fees, which were included on one invoice but split into four transactions on four different days; and
- \$5,360 for general building maintenance services from one vendor split into three transactions over a four day period.

A single cardholder made the majority of the split transactions and, when questioned, the cardholder stated that he was unaware that purchases from the same vendor within one billing cycle in excess of the micro-purchase threshold constituted a split purchase. Other cardholders and AOs stated that they were aware of the prohibitions against splitting transactions and procedures for obtaining approval to exceed their purchase limits. However, we found no signed Requisition for Supplies/Services on file for the split purchases they made.

Using multiple transactions to circumvent controls over single purchase limits increases the potential risk of improper purchases and abuse of Ex-Im Bank purchase cards. Additionally, doing so to avoid requirements for competition that apply to purchases in excess of the micro-purchase threshold is an inappropriate contract action that potentially deprives the government of the benefits of competition, avoids other federal procurement policies, and could violate the Competition in Contracting Act of 1984 (41 U.S.C. 253). Exceeding prescribed purchase limits should not be routine and, when it is necessary in order to fulfill the intention of the FAR's simplified acquisition principles, cardholders and AOs should obtain and document the prior approval of the Office of Contracting Services.

Use of Convenience Checks Was Questionable

The use of a convenience check incurs a "cash advance" fee of approximately 2 to 3 percent of each transaction amount. In addition, the Department of the Treasury has ruled that checks are not electronic funds transfer compliant, as required by Public Law 104-134, the Debt Collection Improvement Act.⁷ As such, OMB has stated that:

Convenience checks are a payment and/or procurement tool intended only for use with merchants that do not accept

⁷ The Debt Collection Improvement Act of 1996 requires that, with limited exceptions, Federal payments be made through electronic means.

purchase cards and for other authorized purposes where charge cards are not accepted. Convenience checks should be used as a payment method of last resort only when no reasonable alternative merchant is available who accepts the charge card.⁸

We examined the 845 transactions included in our sample for reasonableness and appropriateness in accordance with FAR, OMB, and Ex-Im Bank policy and found 6 (or 1 percent) involved questionable use of convenience checks. In these instances, an Ex-Im Bank cardholder used convenience checks to purchase goods and services that may have been available through vendors who accept purchase cards. Further, we found no evidence that the cardholder made a reasonable effort to locate vendors who accept purchase cards and could provide equivalent goods and services. By using convenience checks instead of seeking out vendors who accept purchase cards, Ex-Im Bank incurred unnecessary fees, which averaged 2 to 3 percent of the following transactions:

1. \$5,000 for speechwriting services for Ex-Im Bank's Chairman;
2. \$3,800 to print awards for Ex-Im Bank's annual conference;
3. \$3,000 to print pocket folders;
4. \$750 for a newspaper advertisement;
5. \$510 for food and beverages provided at an official Ex-Im Bank event; and
6. \$450 for legal services, which, in addition to representing questionable use of a convenience check, potentially duplicated services readily available through Ex-Im Bank's Office of the General Counsel. The check in question was written to a retiree in Florida to review appropriations legislation impacting the Bank.⁹

While not significant to the overall purchase card program, these convenience checks and associated fees are contrary to federal procurement policy. Generally, such policy emphasizes the need for agencies to prudently spend taxpayer resources in a manner that ensures the best interest of the Government, demonstrates fiscal responsibility, and maintains the public's trust.

Although Attachment B-3, "Special Procurement Authority for GS 1102 Staff," of Ex-Im Bank's Purchase Card Policy provides some guidance on the use of convenience checks, the policy does not sufficiently address OMB Circular A-123, Appendix B requirements. Specifically, the policy does not (1) inform employees of their responsibility to make a reasonable effort to find vendors who provide equivalent products and accept purchase cards; (2) state that checks are the payment method of last resort; or (3) address

⁸ OMB Circular A-123, Appendix B, Chapter 12, "Convenience Checks."

⁹ According to cardholder records, the individual was recommended by Congressional staff as an "expert" in appropriations law.

associated fees, training requirements, stop payment procedures, independent reviews, record retention requirements, or many of the other matters required by OMB. As a result, we believe Ex-Im Bank could improve its purchase card program by clearly describing the limitations that apply to convenience checks and implementing procedures for ensuring convenience checks are used properly and only when necessary.

Cardholders, AOs, and the APC Did Not Consistently Follow Post-Purchase Procedures

Ex-Im Bank's Purchase Card Policy requires certain post-purchase procedures intended to ensure that purchase card transactions are in the best interest of the Government, are adequately supported, and are properly authorized. These controls include maintaining invoices and receipts and conducting routine reconciliations and audits to identify improper or unauthorized transactions and practices. However, we found that cardholders, AOs, and, where applicable, the APC did not consistently fulfill their responsibilities or follow the Bank's procedures related to these controls.

Maintenance of Invoices and Receipts. Ex-Im Bank's Purchase Card Policy requires cardholders to submit a receipt for all purchases. The receipt should describe what was purchased and should correlate to an entry in the cardholder's monthly Purchase Card Activity Log. Further, all receipts must be attached to each month's Log and submitted to the AO along with the cardholder's monthly credit card statement from Citibank. Following approval by the AO, the cardholder is responsible for the original receipts, which must be maintained in an organized file that is easily accessed if requested by an auditor for one full year after the end of the FY in which the purchase was made. In cases of disputed transactions, Ex-Im Bank requires cardholders to keep receipts for one full year after the end of the FY in which the dispute was resolved.

Although all cardholders stated that they were aware of the requirements for maintenance and submission of invoices and receipts, we found that 6 of the 13 cardholders included in our review did not maintain proper documentation. Additionally, 25 of the 845 transactions we reviewed were not supported with invoices or receipts, including purchases of a handheld video camera and office supplies.

At the end of each billing cycle, cardholders must reconcile the transactions appearing on their monthly statement by verifying their accuracy against receipts and invoices. In addition, AOs are responsible for ensuring that all purchases made by the cardholder were appropriate and the charges accurate. If cardholders do not maintain complete purchase card records, including invoices and receipts, they cannot verify charges, credits, outstanding disputes, and refunds on their monthly statements. Furthermore, without cardholder invoices and receipts, AOs cannot easily determine the appropriateness and accuracy of charges reported on cardholders' Purchase Card Activity Logs, or verifies what was purchased and whether it was for government use before authorizing payment. In sum, a lack of complete cardholder records, including maintenance of invoices and receipts, increases the risk that fraudulent, improper, and other abusive activity will occur without detection.

Performance of Routine Reconciliations and Audits. According to OMB Circular A-123, Appendix B, “agencies must periodically evaluate the effectiveness of the controls put in place to mitigate the risks of payment delinquencies and charge card misuse.” Further, the Circular states that charge card managers must (1) review charge card statements and account activity reports to identify questionable or suspicious transactions and (2) require charge card statement reconciliation or transaction reconciliation in a timely manner.

Ex-Im Bank’s Purchase Card Policy requires cardholders to review their purchase card transactions and submit all supporting documentation to their AO within 5 business days after the end of the billing cycle. Additionally, AOs must verify that all cardholder transactions represent legitimate government requirements; verify that funds are appropriately allocated; and ensure that cardholders reconcile all transactions and maintain appropriate records. Each AO must review and approve Citibank statements from their subordinate cardholders on a monthly basis and submit the reconciliations to the APC within 8 business days after the end of the billing cycle. The APC then reviews, approves, and submits all statements to the Ex-Im Bank Office of Administration and Security, which forwards the information to the Office of the Chief Financial Officer for payment. Per Ex-Im Bank’s Purchase Card Policy, all monthly review and reconciliation activities must occur within 10 days after the end of the billing cycle to ensure that payments to Citibank are made according to the Prompt Payment Rule, 5 CFR 1315.

In addition to monthly reviews, the policy requires the APC to randomly audit cardholder accounts to ensure that cardholders use their cards only for purchases related to official duties, items purchased were received and inventoried properly, and all purchases comply with the FAR. The APC is also required to review annual and monthly summary reports to identify accounts that may not be needed in the next FY, require a higher or lower per purchase and/or monthly limit, and have a history of declined purchases, returns, or other indicators of possible misuse.

To determine whether cardholders and AOs performed the required monthly reviews in a timely manner, we reviewed a sample of 76 monthly reconciliations and determined that:

- 56 reconciliations (or 74 percent) were either reviewed by the cardholder after the fifth business day or were not dated by the cardholder; and
- 53 reconciliations (or 70 percent) were either reviewed by the AO after the third business day or were not signed by the AO and/or cardholder.

To determine if the APC completed the required monthly and annual reviews, we examined records from FYs 2010 and 2011. We found no evidence to support that the APC had completed any monthly reviews between October 2009 and July 2011, or annual reviews or random audits during either FY 2010 or 2011.

The current APC assumed responsibility for Ex-Im Bank’s purchase program in August 2011 and told us she received no documentation of audits or reviews completed by her predecessor. In August and September 2011, the APC performed a full review of the

monthly transactions for all cardholders but did not complete an annual review or any other type of audit.

Reviewing the monthly reconciliation of purchase card transactions is a multi-step process, culminating in payment to Citibank. If responsible parties participating in Ex-Im Bank's purchase card program do not complete the required monthly reconciliations in a timely manner, there is an increased risk that payments to Citibank will violate the Prompt Payment Rule, 5 CFR 1315. Moreover, if the APC does not maintain adequate oversight of the purchase card program by completing the required routine and random reviews and audits, there is an increased risk that questionable or suspicious transactions or other control weaknesses in the purchase card program will go undetected.

Internal Control Weaknesses Occurred Due to a Lack of Knowledge, Effective Training, and Recordkeeping

The weaknesses we observed in Ex-Im Bank's purchase card program occurred due to a general lack of knowledge, training, and recordkeeping. For example, prior to our audit, none of Ex-Im Bank's cardholders had a current Delegation of Procurement Authority that informed them of Ex-Im Bank policy and government-wide regulations, authorized them to use a purchase card within certain boundaries, and documented their single and monthly purchase limits. In addition, we had difficulty verifying that cardholders and AOs had completed purchase card training, including (1) GSA's initial training and refresher training every 3 years, and (2) Ex-Im Bank-specific training as required by Ex-Im Bank policy and the TFM. Finally, although purchase card program participants told us that they were aware of and complied with applicable requirements, policies, and procedures, we could not verify these statements without supporting documentation.

Lack of Delegations of Procurement Authority. To confer the authority to use a purchase card and inform cardholders of their responsibilities and limitations, the CAO issues each cardholder a Delegation of Procurement Authority. The delegation memo (1) names the cardholder's AO, (2) establishes the cardholder's single and monthly purchase limits, (3) explains the cardholder's responsibility for complying with Ex-Im Bank and government-wide requirements and regulations, (4) describes the prohibitions against and possible disciplinary consequences of purchase card abuse and misuse, and (5) includes the date the authority expires. According to Ex-Im Bank's Purchase Card Policy, purchase cardholder authority is valid for up to 1 year and expires at the end of the applicable FY. Appendix B contains a sample Ex-Im Bank Delegation of Procurement Authority.

Notwithstanding Ex-Im Bank's Purchase Card Policy, we found that, prior to our audit, none of the Bank's purchase cardholders had a current Delegation of Procurement Authority. When we requested the documents, cardholders were unable to provide them. Moreover, Ex-Im Bank's APC stated that when she assumed responsibility for the purchase card program in August 2011, she was unable to find any signed delegation memos on file.

Prior to and during our audit, the APC initiated efforts to ensure that all Ex-Im Bank purchase cardholders have current delegation memos. This action should help improve Ex-Im Bank's purchase card program since the Delegation of Procurement Authority includes necessary guidance that communicates to cardholders the specific controls, prohibitions, and requirements, including requirements for good recordkeeping, that help deter purchase card abuse and misuse. Additionally, ensuring that all cardholders have current and up-to-date delegation memos should help educate cardholders on the regulations that pertain to their individual purchase limits and the consequences of circumventing those limits.

Lack of Effective Cardholder and AO Training. OMB Circular A-123, Appendix B requires all purchase card program participants to be trained in charge card management. According to OMB, program participants must:

- be trained prior to appointment;
- take refresher training, at a minimum, every 3 years; and
- certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions.

OMB further requires that cardholder training (1) provide general information on card use; (2) familiarize cardholders with federal procurement and property laws and regulations (including agency procurement, property, and other card-related policies and usage guidelines); and (3) be consistent with the cardholder's level of responsibility or spending authority. For AOs, training in federal acquisition, applicable financial policies and regulations, and AO responsibilities is required prior to becoming an AO. OMB also requires that AOs receive the same training as cardholders.

In addition, the TFM requires each agency participating in the government-wide purchase card program to establish a training program on card procedures and small purchasing regulations. The TFM further requires that, "Cardholders, approving officials, and other employees, such as those in the designating billing office, who are involved in the program; must attend agency training."¹⁰

To fulfill purchase card training requirements, Ex-Im Bank's Purchase Card Policy requires that individuals nominated as cardholders must complete GSA's online Purchase Card Training before obtaining a purchase card, receive routine ethics briefings on the "Standards of Ethical Conduct for Employees of the Executive Branch," and attend Ex-Im Bank-specific training sessions given by the APC. AOs must obtain the same training as cardholders and review the Citibank booklet, "Purchase Card Management." Cardholders and AOs must also participate in refresher training provided by the APC at least every 3 years.

¹⁰ TFM, Volume 1, Part 4, Chapter 4500, "Government Purchase Cards."

To determine whether Ex-Im Bank purchase card program participants received the required training, we requested supporting documentation for all 33 cardholders and 20 AOs. Copies of all training certificates must be maintained pursuant to U.S. National Archives and Records Administration requirements, General Records Schedule 1, Item 29. Although 30 of the Bank's 33 cardholders completed the required GSA training, we could only verify that half of the AOs had completed such training. Furthermore, none of the cardholders or AOs had completed Ex-Im Bank-specific training, as required by Bank policy and the TFM, since Ex-Im Bank does not offer such training.

Training is a crucial part of the Government purchase card program. According to OMB, "Training is important because it is vital that charge card managers and cardholders understand their roles and responsibilities in order for charge card programs to be effectively implemented. Further, training should ensure charge card holders are informed of any changes or updates to the charge card program." Government purchase cards are easily abused and the likelihood for abuse is even greater when program participants are not properly trained. We believe that many of the weaknesses we observed in Ex-Im Bank's purchase card program were caused by a general lack of knowledge and effective training, particularly regarding the need for maintaining proper records and documenting Ex-Im Bank purchase card processes. Furthermore, we believe the APC should develop an appropriate recordkeeping system for maintaining purchase card training records since the Office of Contracting Services had significant difficulty locating these records during our audit.

Conclusion

Because they allow the same individual to order, pay for, and receive goods and services, purchase cards are innately at high risk for misuse, fraud, waste, and abuse. Collectively, the weaknesses we observed in the Ex-Im Bank's purchase card program place the Bank's cards at even greater risk. We found no evidence of fraudulent purchases and Ex-Im Bank's APC has initiated efforts to improve controls over the program. For example, the APC began issuing current delegation memos, informing cardholders of the responsibilities and restrictions related to their purchase card use. Additionally, she established deadlines for all cardholders and AOs to complete the required purchase card training. However, the noncompliance issues we found occurred because the control environment allowed Ex-Im Bank personnel to ignore applicable regulations and established internal control policies and procedures without consequences. Therefore, additional improvements and management attention are needed to further strengthen Ex-Im Bank's purchase card program

Recommendations, Management’s Response, and Evaluation of Management’s Response

To improve controls over Ex-Im Bank’s purchase card program, we recommend that:

1. The APC verify that all Ex-Im Bank purchase card program participants complete required purchase card training and obtain up-to-date training certifications as soon as practicable.

Management’s Response. Concur. The Senior Vice President for Resource Management stated that the APC has prepared an inventory of training renewal dates for all program participants. Reminders of renewal dates will be provided a month in advance and two weeks in advance to all participants as their renewal dates approach. Those individuals who do not have a current training certificate on file will be informed that their participation in the purchase card program will be terminated if they do not obtain refresher training and provide a copy of the certificate in a timely manner.

Evaluation of Management’s Response. Management’s proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the proposed actions.

2. The APC establish a process and recordkeeping system for tracking and verifying program participants’ completion of required training in the future, including a process for supervisory notification in the event that program participants fail to meet future training requirements.

Management’s Response. Concur. The Senior Vice President for Resource Management stated that all known copies of training certificates for active cardholders and Approving Officials have been filed electronically on a share drive. The APC will also back up this information on a monthly basis elsewhere to ensure the information is retained and available. As stated above, the APC has prepared an inventory list of training renewal dates for all program participants. Reminders of renewal dates will be provided a month in advance and two weeks in advance to all participants as their renewal dates approach. Those individuals who do not have a current training certificate on file will be informed that their participation in the purchase card program will be terminated if they do not obtain refresher training and provide a copy of the certificate in a timely manner.

Evaluation of Management’s Response. Management’s proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the proposed actions.

3. The CAO provide a current Delegation of Procurement Authority to all Ex-Im Bank purchase cardholders once the APC has verified that cardholders have met all immediate training requirements.

Management's Response. Concur. The Senior Vice President for Resource Management stated that a current Delegation of Procurement Authority has been issued to all cardholders and Approving Officials, including those individuals without a current record of training. Ex-Im Bank believes it highly improbable that anyone would have been issued a purchase card or designated as an Approving Official without the required training at the time it was originally required. In those cases where a current training certificate is lacking, the delegation memos note the lack of current training documentation and reiterate the need to obtain refresher training by the identified renewal date.

Evaluation of Management's Response. Management's proposed actions, when combined with actions proposed in response to Recommendation 2, meet the intent of the recommendation; therefore, the recommendation is resolved and will be closed upon completion and verification of the proposed actions. However, in those cases where a current training certificate is lacking, we reiterate our belief that cardholders should complete all required training, including refresher training, as soon as possible and certificates should be retained as evidence.

4. The CAO develop Ex-Im Bank-specific purchase card training to supplement refresher training offered by GSA, as required by Ex-Im Bank's Purchase Card Policy and the TFM. The training should emphasize: (a) Ex-Im Bank's purchase card approval processes and requirements; (b) prohibitions against splitting transactions; (c) restrictions on the use of convenience checks; (d) requirements for and benefits of maintaining thorough and complete purchase card records; and (e) requirements for monthly reconciliations of purchase card records and regular audits and reviews of purchase card activities.

Management's Response. Concur. The Senior Vice President for Resource Management stated that Ex-Im Bank will develop supplemental purchase card training for cardholders and Approving Officials. Ex-Im Bank will provide a draft of the proposed training to the OIG within the next 60 days and consider any changes the OIG may recommend.

Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the proposed actions.

5. The CAO revise Ex-Im Bank's Purchase Card Policy to more clearly describe restrictions on the use of convenience checks, including procedures to ensure they are used properly and only when necessary, as described in OMB Circular A-123, Appendix B.

Management's Response. Concur. The Senior Vice President for Resource Management stated that Ex-Im Bank's Purchase Card Policy will be revised to provide additional information on the proper circumstances and use of convenience checks. Ex-Im Bank will provide proposed information to the OIG within the next 60 days and consider any changes the OIG may recommend.

Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the proposed actions.

6. The APC perform a comprehensive annual review of Ex-Im Bank's purchase card program as soon as practicable and institute a schedule and processes for recurring future reviews in order to identify and implement any future corrective actions that may be warranted.

Management's Response. Concur. The Senior Vice President for Resource Management stated that the APC will conduct random audits of one to three cardholders per quarter and a comprehensive review of Ex-Im Bank's purchase card program on an annual basis beginning each October, starting this year. The APC will utilize reports from Citibank to identify accounts that may no longer be needed, require a higher or lower per purchase and/or monthly limit, have a history of declined purchases, returns, or other suspicious transactions; apparent split purchasing; and spend data per user office. On a quarterly basis, these reports will be provided to Approving Officials to bring to their attention any problematic activity.

Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon completion and verification of the proposed actions.

Other Matters of Interest: Ex-Im Bank Needs Clear Procedures for Ensuring Section 508 Compliance

Section 508 of the Rehabilitation Act requires that when federal agencies develop, procure, maintain, or use electronic and information technology (E&IT) items, they must ensure that federal employees and members of the public with disabilities have access to and use of information and data that is comparable to the access to and use of information and data by other federal employees or individuals.^{11,12} According to OMB Circular A-123, Appendix B, as of April 1, 2005, all purchases of E&IT made with Government purchase cards are subject to Section 508 of the Rehabilitation Act, unless an exception applies.

During the audit, we found that 11 of Ex-Im Bank's 14 E&IT items bought with purchase cards and included in our review – including various operating system software, voice mail hard drives, smart card readers, and a handheld video camera – were not documented as Section 508 compliant or as exceptions to the Act. Additionally, through discussions with purchase cardholders and officials from Ex-Im Bank's Contracting Services Office and Office of the Chief Information Officer (CIO), we found a general lack of understanding and agreement regarding the Section 508 requirements that apply to E&IT purchases.

Ex-Im Bank's Purchase Card Policy requires cardholders to complete a Section 508 Compliance Form (shown in Appendix C) and submit it for review and approval by the CIO before completing E&IT purchases. However, the CIO told us that the form is only required when purchasing E&IT items for employees with known disabilities. Additionally, Ex-Im Bank's policy does not provide adequate guidance to identify Section 508 E&IT purchases, including a definition of E&IT items. Nor does the policy refer employees to government-wide resources such as GSA's Office of Information Technology Accessibility and Workforce website, www.section508.gov, or GSA's Buy Accessible Wizard at www.buyaccessible.gov.¹³ These on-line resources provide free guidance, information, and training to help agencies improve compliance with the law and build an accessible infrastructure, which creates an environment for hiring persons with disabilities.

Because compliance with Section 508 of the Rehabilitation Act was outside the scope of our audit, we are not making any formal recommendations relating to this issue. However, we

¹¹ Section 508 of the Rehabilitation Act (29 U.S.C. 794d), as amended by the Workforce Investment Act of 1998 (P.L. 105-220), August 7, 1998.

¹² The term "information technology," with respect to an executive agency means any equipment or interconnected system or subsystem of equipment, that is used by the agency or its contractors in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. This includes computers, ancillary equipment, software, firmware and similar procedures, services, and related resources. E&IT has the same meaning as "information technology" but also includes any equipment or interconnected system or subsystem of equipment that is used in the creation, conversion, or duplication of data or information. This includes but is not limited to telecommunications products, web sites, multimedia, computer hardware and software, and office equipment such as copiers and fax machines.

¹³ Although the Ex-Im Bank's Section 508 Compliance Form references www.section508.gov, relevant information is not provided in the body of Ex-Im Bank's Purchase Card Policy.

believe that Ex-Im Bank's CAO and CIO should clarify relevant Ex-Im Bank procedures and provide purchase cardholders with the necessary guidance and resources that would help ensure compliance with Section 508 requirements.

Scope and Methodology

We performed this audit from January 2012 through August 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our objectives were to determine whether Ex-Im Bank's: (1) policies and procedures comply with federal regulations, and (2) controls are adequate to ensure compliance with its policies and procedures. The audit focused on purchase card transactions made during FYs 2010 and 2011. We judgmentally selected 13 of Ex-Im Bank's 33 purchase cardholders and reviewed their transactions for randomly selected months throughout both FYs. In total, we reviewed the controls over 845 transactions made by these 13 cardholders. Our sample selection for 2010 and 2011 included purchases totaling \$365,733 and \$349,863, respectively, or approximately 35 percent of the total transactions for each FY.

To verify if Ex-Im Bank timely cancelled purchase cards when they were no longer needed, we reviewed records for two cards cancelled in 2010 and two cards cancelled in 2011. A total of four cards were cancelled in each year; therefore, our sample represents half of all cards cancelled during the period under review.

In order to meet our primary objectives for this audit, we interviewed officials from Ex-Im Bank's Contracting Services Office and Office of the CIO, sent questionnaires to 25 cardholders and 15 AOs, and received responses from 22 cardholders and 13 AOs.¹⁴ We also performed the following tasks among others further described in the section entitled "Review of Internal Controls" below:

- Analyzed data obtained from contracting staff, as well as other available information, such as Ex-Im Bank's Purchase Card Policy and government-wide policies and guidance.
- Requested and, where available, reviewed cardholder and AO training records.
- Examined Citibank monthly statements and compared transactions with cardholder receipts and Purchase Card Activity Logs for all sample items selected.

¹⁴ There were a total of 33 cardholders and 20 AOs. However, because some employees had resigned or were otherwise unavailable, we sent questionnaires to only 25 cardholders and 15 AOs.

- Assessed the performance of monthly reconciliations and purchase card program audits.
- Tested to determine if the sampled transactions were (1) adequately supported and approved; (2) part of a split purchase; (3) an appropriate use of the government purchase card; and (4) an appropriate use of convenience checks, where applicable.

Review of Internal Controls

We examined Ex-Im Bank’s internal controls over the purchase card program and determined that controls should be strengthened to minimize risk of fraud, waste, abuse, and misuse of purchase cards. Our audit of key internal controls focused on whether the Bank maintained adequate documentation to show that purchase card transactions were for official Government use, were properly authorized and supported, and were regularly reviewed by the APC to minimize control weaknesses. Additionally, we tested for circumvention of controls in place to prevent cardholders from splitting large purchases into multiple transactions in order to avoid exceeding single purchase limits. Finally, to determine whether responsible parties were knowledgeable of government purchase card laws, regulations, policies, and procedures, we requested, and where available, reviewed training records for all Ex-Im Bank cardholders and AOs. See the “Results” section of the report for details.

Federal Laws, Regulations, Policies, and Guidance

As part of our tests of internal controls, we reviewed applicable federal laws and regulations related to purchase cards. Additionally, we reviewed certain common problems identified in Council of Inspectors General on Integrity and Efficiency’s “A Practical Guide for Reviewing Government Purchase Card Programs” and the Government Accountability Office report entitled “Audit Guide – Auditing and Investigating the Internal Control of Government Purchase Card Programs.” We also examined Ex-Im Bank’s Purchase Card Policy and procedures. Our review included, but was not limited, to:

- FAR 48 C.F.R. Part 13: Simplified Acquisition Procedures;
- OMB Circular A-123, Appendix B, “Improving the Management of Government Charge Card Programs,” revised January 15, 2009;
- TFM, Volume 1, Part 4, Chapter 4500, “Government Purchase Cards;”
- RM-2010-01, “Assignment and Use of Government Purchase Cards,” April 15, 2011;
- GSA’s “Managing GSA SmartPay Purchase Card Use,” July 14, 2009;” and
- Citibank’s “Government Purchase Card Guide.”

Prior Coverage

During the last 5 years, the Ex-Im Bank Office of Inspector General has not issued any reports of particular relevance to the subject of this report. However, Ex-Im Bank management engaged Cotton & Company LLP to review and reconcile monthly charges, including late charges and other adjustments, for the Government purchase card program with Citibank for the period March 2002 through March 2008. In its report dated September 2, 2008, Cotton & Company recommended that Ex-Im Bank improve payment processing and tracking of proof-of-payment documentation. Management concurred with Cotton & Company’s observations and partially concurred with their recommendations.

In addition, the Government Accountability Office issued “Government-wide Purchase Cards - Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, and Abusive Purchases” (GAO-08-333, March 14, 2008), which reported on internal control weaknesses in federal agency purchase card programs that exposed the U.S. Government to fraudulent, improper, and abusive purchases and loss of assets.

APPENDIX B**Sample Ex-Im Bank Memo of Delegated Procurement Authority****Memorandum**

Date:
 To:
 From: Mark Pitra, Chief Acquisition Officer
 Subject: Delegation of Procurement Authority Using a Government Purchase Card

You are hereby granted Delegated Procurement Authority to purchase supplies and non-personal services consistent with your position's responsibilities and to satisfy legitimate requirements for the Export-Import Bank of the United States. Further, you are authorized to pay for such purchases using the Government Purchase Card issued in your name. You are responsible for following all applicable Federal Acquisition Regulations and Ex-Im Bank Policy and Procedures when using your Government Purchase Card.

This delegation is made with the following limitations on your use of the card:

\$ _____ is your limit for an individual purchase.

\$ _____ is your limit for all purchases in one month.

_____ is your Approving Official (AO).

This Delegation of Procurement Authority shall expire on September 1, 2010.

All items must have prior approval from your Approving Official (AO). Marketing materials must also have prior approval from the Office of General Council (OGC). Your AO may impose additional requirements and limits with which you are obligated to comply.


This delegation does not exempt you from requirements to obtain certain supplies from required sources listed in the Federal Acquisition Regulation (FAR) Part 8, or from other organizations that have exclusive contracting authority for that commodity or service. Nor does this delegation authorize you to purchase prohibited supplies and services, including food, beverages, and temporary services. You are personally liable to the Government for any unauthorized purchases. Improper or illegal use of the Government Purchase Card may result in severe fines or adverse disciplinary action under 18 U.S.C. 2987 and Ex-Im Bank's Conduct and Discipline Policy.

When you separate from the Export-Import Bank for any reason, this delegation terminates immediately and you must return the Government Purchase Card and all associated records and personal files to the Agency/Organization Program Coordinator (A/OPC).

Source: Attachment B, RM-2010-01, "Assignment and Use of Government Purchase Cards," April 15, 2011 (Ex-Im Bank's Purchase Card Policy).

APPENDIX C

Ex-Im Bank Section 508 Compliance Form



Government Purchase Card
Form 3: Section 508 Compliance

Requisition no. or last 4 digits of CC

Est. Total Cost

Items

Requested By

Orig. Code

Before submitting this form:

- Refer to Section508.gov to identify which standards apply to this procurement.
- Document market research on availability of products or services that comply with the applicable standards.
- Incorporate applicable standards into requirements documents, specifications, solicitations, and statements of work.
- Make a reasonable effort to confirm the compliance certified by manufacturers and vendors.

Complete Section One or Two

Section One: Compliance Certification (check only one)

Full compliance certified by vendor or manufacturer. Certification is attached.

Full compliance certified per technical evaluation by Bank Staff. Technical evaluation is attached.

Due to advances in technology, this item complies with 508 standards through technical means not specified in official 508 documents. Explanation of compliance is attached.

No commercially available item complies with all applicable standards. Requirements documents, market research, and a statement of standards not met are attached.

This procurement is an open competition and the attached market research, requirements documents, and specifications were prepared in accordance with 508 standards.

Section Two: Compliance Exception (check only one)

The items in this procurement will be accessed only by service personnel for maintenance, repair or occasional monitoring of equipment. A description of the location is attached.

Purchasing the most compliant product or service would impose an undue burden on Ex-Im Bank as explained in the attached Undue Burden Justification. This explanation includes:

- a. the applicable standards
- b. the market research performed to locate commercial items that meet the applicable standards
- c. the standard that cannot be met
- d. why meeting that standard creates a significant difficulty or expense for Ex-Im Bank
- e. the proposed methods for providing alternative access to employees with disabilities

I certify that the information on this form and in the supporting attachments is accurate.

Requesting Staff Member

Date

I certify that I have reviewed the attached Undue Burden Justification and approve.

Chief Information Officer

Date

Export-Import Bank of the United States

EXB - 10 - 05

Source: Form 3, RM-2010-01, "Assignment and Use of Government Purchase Cards," April 15, 2011 (Ex-Im Bank's Purchase Card Policy).

Management Comments



**EXPORT-IMPORT BANK
of the UNITED STATES**

September 17, 2012

MEMORANDUM FOR CHIEF OPERATING OFFICER ALBRIGHT

From: Michael Cushing, Senior Vice President
Subject: Management's Response to the Inspector General's Audit of the Government Purchase Card Program

The following is management's response to the Inspector General's draft audit report of August 24, 2012.

Background:

The Ex-Im Bank Office of Inspector general (OIG) began their first audit of the Bank's purchase card program with Citibank for the period covering fiscal years 2010 through 2011 via their engagement letter dated January 11, 2012. The OIG audit has now concluded their audit of 13 of the Bank's 33 cardholder accounts (845 purchases totaling \$715,595) and the findings are detailed in the draft report dated August 24, 2012.

The OIG found no evidence of fraudulent purchases during the audit and acknowledged Ex-Im Bank's current purchase card program coordinator's (APC) efforts to strengthen the program. However, the OIG noted areas for improvement and provided recommendations for strengthening the purchase card program in their report.

We appreciate the cooperative approach and professionalism of the OIG staff in conducting this audit.

As detailed in this memorandum, management concurs with all recommendations and the majority of the OIG's findings.

OIG Recommendations and Management Responses:

1. **OIG Recommendation:** The APC verify that all Ex-Im Bank purchase card program participants complete required purchase card training and obtain up-to-date training certifications as soon as practicable. Although 30 of the Bank's 33 cardholders completed the required GSA training, Approving Official training could only be verified in half of the cases.

Management Response: Management concurs with the recommendation. All known copies of training certificates for active Cardholders and Approving Officials have been filed electronically in dedicated clearly labeled files on our share drive. The APC will also back up this information on a monthly basis elsewhere to ensure the information is retained and available. The APC has prepared an inventory list of training renewal dates for all program participants. Reminders of renewal dates will be provided a month in advance and two weeks in advance to all participants as their renewal dates approach. Those individuals who do not have a current training certificate on file will be informed that their participation in the purchase card program

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will be terminated in the event they do not obtain their refresher training and provide us with a copy of the certificate in a timely manner.

2. OIG Recommendation: The APC establish a process and recordkeeping system for tracking and verifying program participant's completion of required training in the future, including a process for supervisory notification in the event that program participants fail to meet future training requirements.

Management Response: Management concurs with the recommendation. See response above.

3. OIG Recommendation: The CAO provide a current Delegation of Procurement Authority to all Ex-Im Bank purchase cardholders once the APC has verified that cardholders have met all immediate training requirements.

Management Response: Management concurs with the recommendation. A current Delegation of Procurement Authority has been issued to all Purchase Cardholders and Approving Officials, including those individuals for whom we do not have a current record of training. We believe it to be highly improbable that anyone would have been issued a purchase card or designated as an Approving Official without the required training at the time it was originally required, and we concur that a current Delegation of Procurement Authority should be provided. In those cases where a current training certificate is lacking, the delegation memos will note our lack of current documentation and reiterate the need to obtain refresher training by the identified renewal date.

4. OIG Recommendation: The CAO develop Ex-Im Bank-specific purchase card training to supplement refresher training offered by GSA, as required by Ex-Im Bank's Purchase Card Policy and the TFM. The training should emphasize (a) Ex-Im Bank's purchase card approval process and requirements; (b) prohibitions against splitting transactions; (c) restrictions on the use of convenience checks; (d) requirements for and benefits of maintaining thorough and complete purchase card records; and (e) requirements for monthly reconciliations of purchase card records and regular audits and reviews of purchase card activities.

Management Response: Management concurs with the recommendation. We will develop supplemental Ex-Im Bank purchase card training for Cardholders and for Approving Officials. We will provide a draft share the proposed training information to the OIG within the next 60 days. We will consider any changes to the training material the OIG may recommend.

5. OIG Recommendation: Revise Ex-Im Bank's Purchase Card Policy to more clearly describe restrictions on the use of convenience checks, including procedures to ensure they are used properly and only when necessary, as described in OMB Circular A-123, Appendix B.

Management Response: Management concurs with the recommendation. The Purchase Card Policy will be revised to provide additional information on the proper circumstances and use

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of convenience checks and we will provide the proposed training information to the OIG within the next 60 days. We will consider any changes to the amended policy text the OIG may recommend.

6. **OIG Recommendation:** The APC perform random audits of cardholder accounts and conduct a comprehensive annual review of Ex-Im Bank's purchase card program as soon as practicable and institute a schedule and processes for recurring future reviews in order to identify and implement any future corrective actions that may be warranted.

Management Response: Management concurs with the recommendation. The APC will conduct random audits of one to three card holders per quarter and a comprehensive a review of Ex-Im Bank's purchase card program on an annual basis beginning each October, starting with October of this year. The APC will utilize reports available from Citibank to identify accounts that may not be needed in the next FY, require a higher or lower per purchase and/or monthly limit, have a history of declined purchases, returns, or other suspicious transactions, apparent split purchasing, and identify spend data per user office. These reports will also be provided to the Approving Officials on a quarterly basis and any problematic activity will be brought to the Approving Officials' attention at that time. Electronic copies of these reports will be maintained in a clearly labeled dedicated file already on our share drive.

Specific OIG Findings and Management Responses:

a) **OIG Finding:** Of the 847 purchases reviewed, 741 (or 88 percent) did not receive prior approval, as required by Ex-Im Bank and Office of Management and Budget policy;

Management Response: The Ex-Im Bank purchase card policy, and OMB memorandum require advance approval of each purchase card purchase. In a number of cases, this approval is obtained orally or evidenced via written approval of the Purchase Requisition for the transaction, but not included in the supporting reconciliation documentation. Future Ex-Im Bank Purchase Cardholder and Approving Official training will require written approval from the Approving Official prior to a Cardholder making a purchase, and that the approval be included in the supporting documentation reconciling the cardholder's monthly statement. We understand that the OIG is seeking written evidence (via email, buck slip or memo, as opposed to oral approval or approval of the Purchase Requisition) from the Approving Official of prior approval of each purchase. This procedure would apply in cases where the purchase card account is funded in advance with a pre-determined budgeted amount; as is the case with our frequent purchase card users. \1

However, if a purchase card account is funded per purchase, as is the case with infrequent purchase card users, the cardholder is to include a copy of the requisition committing funds for each purchase and the Approving Official's signature is to be included on the requisition. We believe a copy of the requisition committing funds for the purpose, signed by the Approving Official, sufficiently evidences advance approval in those cases where copies are included in the monthly statement documentation for accounts funded on a pay-as-you-go basis. Among the population of 13 audited purchase card accounts, we believe six accounts are funded per purchase (in which case a copy of the requisition committing funds signed by the Approving Official evidences advanced approval). To the extent actions from these pay-as-you-go accounts were

included in the 741 purchases noted as lacking evidence of pre-approval, we believe they have been inappropriately categorized as lacking approval

\1 It should be noted that IMT has indicated its position on the subject of preapproval to both our office and the OIG; which is that the IMT cardholders in question obtain the budget object classification (BOC) to insert in their purchase card log from one of two respective approving officials, and as such, this process necessarily involves pre-approval. While the IMT process as described evidence pre-approval, this process is not currently specified in our current purchase card policy. Insofar as we do not wish to unnecessarily encumber the purchase card program with unnecessary paperwork, particularly for a heavy purchase card user group such as IMT, we will continue our efforts to compare how other agencies with similarly sized purchase card programs satisfy the pre-approval requirement.

Our purchase card policy appears to be overly restrictive on the subject of pre-approval. OMB guidance merely requires pre-approval, but does not require written pre-approval per purchase. We are committed to working with the OIG to reach a mutually agreeable process for evidencing the pre-approval process or pre-funded purchase card accounts that satisfied OMB requirements and audit needs, and making appropriate revisions on this subject in our purchase card policy within the next 60 days.

b) OIG Finding: Of the 847 purchases reviewed, 117 (or 14 percent) were made using multiple transactions, thereby circumventing the cardholder's single purchase limit and avoiding requirements for competition that apply to purchases in excess of the micro-purchase threshold.

Management Response: The Cardholders responsible for each instance of split purchasing identified in the audit, and their Approving Officials, will receive additional training on this subject within the next 10 days, and in cases where longer term purchasing solutions are required to accommodate repeat purchases, they will be implemented within the next 60 days. In addition, within the next 30 days, all Cardholders and Approving Officials will be reminded of the policy against split purchasing.

The OIG identifies three examples of apparent split purchasing to avoid the \$3,000 per purchase limit. One instance occurred in FY'10 and two instances occurred in FY'11. In one of the three instances cited, we agree that the purchase appears to have been intentionally split in three installments, by a former HR employee to pay for a professional association membership fee for HR. The cardholder no longer works for the Bank and we therefore have no information other than the monthly purchase card statement. In the case of the other two purchase cardholders, who both still work in the Office of Administrative Services (OAS), we specifically inquired as to the nature of the purchases and the timing of the purchases. Both individuals responded that the purchases were ordered over a period from mid-July to mid-August and that the two vendors in question each bundled and posted the charges at a time convenient for the vendor rather than the actual dates of the transactions. The contemporaneous purchase card logs of one of the cardholders support their claim that the orders were placed over this time period. Insofar as the purchase card statement format requires both a sale date (first column on the left of the statement) and a post date for posting the charge to the account (second column), one would think the date would be the same in both columns if the vendors were in fact consolidating the posting of their charges. However, our experience is that this does in fact happen occasionally and the one cardholder's response may be accurate (as supported by his contemporaneous purchase card log).

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But in both cases the nature of the goods (Ex-Im Bank stationary) and services ordered (minor office construction/painting during the building renovation) are such that longer term contractual vehicles should be used in making these purchases.

A long term competitively awarded contract for stationary is required and we intend to proceed with that procurement within the next 60 days. We have a newly awarded 8(a) task order contract in place for building renovation support services which should immediately eliminate future purchase card purchases for minor construction and renovation services. The cardholders in question have already been reminded on the need to use the building renovation support contract. We have requested that OAS provide us with their stationary requirements and past ordering volumes to allow us to obtain these products under a contract. A contractual solution for purchasing stationary will be awarded within 60 days.

We understand that the most frequent instances of split purchasing (multiple purchases to the same vendor within a billing cycle totaling more than \$3,000 collectively) are predominantly for office supplies, paper and photocopier toner. We have a newly awarded Blanket Purchase Agreement (BPA) to several small businesses for office supplies. Full and proper use of this BPA within the next 30 days will eliminate instances of multiple purchases to the same vendor for office supplies within a billing cycle insofar as orders are to either be rotated among vendors or competed, as necessity dictates. This BPA does not currently provide for paper or toner and will either be modified to include these items or other contractual solutions will be put in place for these items within the next 60 days.

c) OIG Finding: Of the 847 purchases reviewed, 6 (or 1 percent) involved questionable use of convenience checks, which incurred unnecessary fees.

Management Response: We have reiterated the appropriate use of convenience checks to our staff (the only possessors of convenience checks) and we will stress the use of convenience checks as a payment method of last resort in our purchase card training to Cardholders and Approving Officials. We intend to revise our purchase card policy within the next 60 days to include additional information on employee responsibilities to make a reasonable effort to find vendors who accept the purchase cards; that checks are a payment method of last resort. Additional information concerning training requirements, stop payment procedures, independent reviews, record retention requirements, and related best practices, will be provided to the holders of the checks, (the OCS staff within the next 60 days). Within the next 60 days, a notice will be sent to all Cardholders and Approving Officials reiterating the strong preference for vendors who accept the purchase card.

Two of the instances identified were for hard copy design and/or print jobs requested by the Office of Communications and vendors who accept the purchase card could have been used. We intend to insist that print and media design firms accept the purchase card for all future related purchases. We have significantly reduced the use of convenience checks to such firms in the past few years.

In one instance a check for speech writing services was above the competition threshold and there was no evidence of competition. Competition should have been conducted and documented, or alternatively, a source justification should have been included in the supporting documentation. In either case, a formal purchase order for these services should have been awarded, with the

convenience check serving only as the method of payment rather than also the method of purchase.

In another instance a check within the micro-purchase threshold was used to pay for a newspaper advertisement at the insistence of the newspaper. Typically we must accept the payment method required as the selected newspaper had already been identified by the customer office as the desired advertiser due to the target readership. In this case we feel use of the check was appropriate.

In another instance a check within the micro-purchase threshold was used to pay for food and beverages for an employee diversity day event. We feel the use of a convenience check for this purpose was appropriate. However, we do intend to continue our efforts to identify alternatives to COSTCO (the historically used source because of low prices) where the purchase card is accepted. [COSTCO accepts only debit cards, its own co-branded credit card, or checks.] There is another bulk goods store (BJ's) within a short drive from headquarters and we will be assessing their product selection and pricing within the next 60 days to determine if it is a viable alternative.

In the remaining instance identified a convenience check within the micro-purchase threshold was issued to an individual. We feel the use of the convenience check as both the purchasing and payment instrument was appropriate. The check was for consulting services for the Office of General Counsel. The OIG questioned the need for services in the context of possibly using existing OGC resources. While this may be a valid point, we do not as a practice question customer requirements (assuming they are otherwise ethical and in compliance with federal procurement regulation) and have in the past secured advisory services for General Counsel in unusual or complex matters.

d) **OIG Finding:** Purchase card program participants did not always maintain receipts or review and reconcile records in a timely manner. Six of the thirteen cardholders included in the review did not maintain proper documentation. Twenty-five of the 845 transactions we reviewed were not supported with invoices or receipts. Of the 76 monthly reconciliations reviewed, 56 (or 74 percent) were either reviewed by the cardholder after the fifth business day or were not dated by the cardholder; and, 53 (or 70 percent) were either reviewed by the AO after the third business day or were not signed by the AO and/or cardholder.

Management Response: We acknowledge the need for improvement in the quality of supporting documentation for cardholder monthly statements and their timely reconciliation. This is an ongoing challenge and we will continue to stress the need for thorough supporting documentation and timely statement reconciliation to all Purchase Card holders and their Approving Officials in our purchase card training. The APC will also issue quarterly reminders to program participants stressing the importance of complete and accurate supporting documentation and timely reconciliation. The APC will issue such a reminder notice within the next 30 days.

The deadlines for submission and review of statements are merely steps toward the ultimate goal of all monthly review and reconciliation being completed within 10 days after the end of the billing cycle to permit timely payment. The interim deadlines were established to assist

Approving Officials who were repeatedly late in turning in their Cardholders' statements identify bottlenecks. To that end, we recognize the importance of the interim deadlines but feel they should only be used as a tool for their intended purpose of assessing the reason for missing the 10 day reconciliation deadline when applicable, as opposed to meriting mention as an audit finding. We are far more concerned about the lack of signatures and dates that have been noted on the supporting documentation and will stress in our training and in quarterly reminders the need for timely review and signature in the reconciliation process. We will also be reviewing our Purchase Card Policy to determine if it may be too restrictive in terms of implying policy status to the interim approval dates. Any necessary changes to our Purchase Card Policy on that subject will be made within the next 60 days.

e) OIG Finding: None of the Bank's purchase cardholders had a current Delegation of Procurement Authority.

Management Response: We understand that the Cardholder application forms were historically relied upon to evidence a given Cardholder's account parameters. Prior to this audit, we recognized that the application form alone does not explain the proper use of the card and the current agency purchase card program coordinator, once assigned those duties, immediately took steps to issue delegation memoranda to newly appointed Cardholders and their Approving Officials. At this point in time, all current Cardholders and their Approving Officials have been provided with delegation memos and they will be re-issued upon full resumption of purchase card accounts in FY'13 (the accounts are restricted to \$0 limits at the end of the current FY to allow for end of year reconciliation and payment).

f) OIG Finding: None of the cardholders or Approving Officials had completed Ex-Im Bank specific training, as required by the Purchase Card Policy and the TFM, since the Ex-Im Bank does not offer such training.

Management Response: Supplemental Ex-Im Bank purchase card training will be developed within the next 60 days. It will be shared with the OIG and we will consider any suggestions or changes they care to offer on the training material.

g) OIG Finding: Copies of all training certificates must be maintained pursuant to NARA requirements. Although 30 of the Bank's 33 cardholders completed the required GSA training, Approving Official training could only be verified in half of the cases.

Management Response: See response to OIG Recommendation #1.

OIG Matter of Interest: Ex-Im Bank Needs Clear Procedures for Ensuring Section 508 Compliance

The OIG noted as a separate discussion point, or appendix to the audit report, that Ex-Im Bank had not established clear policies and procedures for ensuring purchases of electronic and information technology items are compliant with Section 508 of the Rehabilitation Act.

We concur with the recommendation. While we believe our current policy clearly states the applicability and need to document 508 compliance for EI&T purchase card purchases, we acknowledge that additional guidance is needed on implementation; specifically, the need to obtain the standard Section 508 determination form (Form 3 attachment to our purchase card policy) in the supporting documentation of the monthly purchase card statements. We intend to expand upon our policy within the next 60 days to clarify this point in the next policy update.

We believe 508 applicability should be determined based on end user interface. If the hardware or software item does not directly impact the end user's interface with a system or the equipment used to access a system or commonly used office software products, then Section 508 compliance is not applicable. Even when it is applicable, OEM self-certification is accepted practice and confirming compliance in a cost effective manner is often dependent upon that OEM self-certification. As with the Energy Star program, vendor acknowledgement of Section 508 compliance on product packaging and in on-line product information is a work in progress and continues to improve. Our Section 508 determination form allows for indicating non-compliance and we have advised IMT to include the Section 508 determination form in purchase card statement supporting documentation for all EI&T purchases and to indicate a product is non-compliant as a default in the event 508 compliance cannot otherwise be confirmed in a cost effective manner.

Only our Contracting Officers in OCS and two individuals in IMT are authorized to purchase EI&T with their purchase card. IMT staff performs the vast majority of the subject purchases. We have recently discussed this issue with OCS and IMT staff and we are confident we can achieve mutually agreed upon documentation requirements within the next 60 days to achieve 100% compliance on properly documenting Section 508 determinations in future EI&T purchase card purchases.

cc: Fred P Hochberg, President and Chairman

Acknowledgements

Key contributors to this report were Christine Staley, Senior Auditor, and Mathew Wiles, Auditor.

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