

REVIEW OF NARA PURCHASE CREDIT CARDS

OIG Report No. 02-20

September 27, 2002

This report conveys the results of our review initiated in February 2002, as to whether National Archives and Records Administration (NARA) personnel procuring goods and services via the government purchase credit card are following NARA policies and the regulations found in the Federal Acquisition Regulations (FAR). Briefings were held with NARA management in September 2002 to discuss our findings and recommendations. This report covers the results of this audit.

In a memorandum, dated April 18, 2002, Mitchell E. Daniels, Jr., the Director of the Office of Management and Budget, stated that "Recent reports by the General Accounting Office and Inspectors General, as well as congressional hearings and press reports have raised concerns regarding the adequacy of internal control systems that monitor the use of more than 2.5 million government credit cards now in circulation. To date, million of dollars of fraudulent and unauthorized expenditures have been made using these cards. Such abuse is unacceptable and requires prompt and effective remedial action by departments and agencies." An example of credit card fraud cited by the memorandum occurred when an employee charged over \$12,000 for personal items such as gift certificates, groceries and airline tickets. Another example of fraud was employees of one agency who charged over \$4 million in inappropriate transactions with businesses such as pawn shops, jewelry stores and antique shops. As a result of abuses, Mr. Daniels requested that each agency review the adequacy of internal controls for purchase card expenditures and take immediate administrative actions against any employees found to have abused the purchase card privileges.

During our audit we found that overall the purchase credit card program appears to be well managed. However, as detailed in this report, the auditors identified questionable practices and inappropriate credit card transactions which are in violation of the NARA Personnel Manual, and the NARA Procurement Guide. Specifically, we discovered several instances where NARA paid for college courses that were not relevant to the employee's current duties. We found that there were no written policies or procedures related to the monitoring of the credit card program. We also noted one employee who did not obtain her approving official's signature on her monthly credit card statement.

BACKGROUND

The purchase card is a credit card that is issued by the government to Federal agency employees to pay for official government purchases. The government purchase card program began in 1989 when the General Services Administration (GSA) awarded a government-wide contract. The use of government purchase cards greatly increased after the 1994 Federal Acquisition Streamlining Act (FASA) as laws were revised and agencies encouraged greater use of the purchase credit card. The FASA encourages agencies to purchase commercial off-the-shelf products instead of those designed specifically for Government use and simplified procedures for buying those items. The Act also reduced requirements for contractors to submit cost data and exempted purchases under \$2,500 from certain procurement requirements.

The benefits of using the government purchase credit card are to enable agencies to expedite acquisitions, streamline payment procedures and lower administrative costs. Purchase cards are being used to reduce costs associated with manual approval and accounting processes that were previously required for all purchases, regardless of the dollar amount. Because of the increased use of purchase cards, it is very important to have adequate internal controls in order to ensure the proper use of the purchase cards and to protect the government from fraud, waste and abuse. The Acquisition Services Division (NAA) of NARA is responsible for the credit card program at NARA. The Procurement Guide specifies the requirements and training NARA employees must obtain to be given a purchase credit card. The guide also lists authorized purchase card uses and prohibited purchase card uses. NAA provides the training and keeps the credit card holders records including the Certificate of Appointments. The National Archives Finance Branch (NABF) monitors the credit card charges and deals with accounting issues such as making corrections for credit card transactions. At NARA an employee is authorized to purchase goods and services up to the amount stipulated on their contracting officer appointment letter. For FY01 NARA had \$11,862,271 in agency wide VISA card purchases for 223 users.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of our review of purchase credit cards was to access the effectiveness of controls over the issuance, and use of credit cards and to determine if NARA credit card holders were complying with NARA and other applicable regulations. We also reviewed transactions to determine if there were any unauthorized or prohibited purchases made by credit card users. Specifically, we examined whether (1) all users have been properly authorized and trained, (2) appropriate items were purchased, (3) adequate competition was sought for pertinent purchases, and (4) transactions were appropriately reviewed by the approving official.

This review was conducted at Archives I & II. The scope of this audit covered credit card charges for FY2001. We obtained access to Citibank's credit card database in order to determine what purchases were made by each credit card holder. We selected certain high-risk and large dollar transactions along with randomly selected charges for review. We examined approximately \$2.0 million or 17% of the total purchases for FY2001. We obtained a listing of all credit card holders and their procurement authority limits and reviewed the credit card holders files for the

appropriate documentation. For the employees selected we reviewed their credit card files for the proper authorization, compliance with the FAR, signature of the approving official, compliance with NARA policies, whether the purchase was consistent with their official duties or that of their office, and whether the item was purchased for government use.

This review covered purchase credit cards. The travel credit cards will be reviewed under a separate audit. This review was performed in accordance with generally accepted government auditing standards from February 2002 to July 2002.

SUMMARY

During our audit we found that the documentation for the credit card holders, as maintained by the Acquisition Department, was in good order. The required training documents were current and up-to-date. We found that the monitoring of transactions by NABF was adequate and had a positive effect on the prevention of fraud, waste and abuse. However, we found several deficiencies that, if corrected, would strengthen the internal controls of the credit card program. We questioned the relevancy and appropriateness of \$9,883 in college courses taken by NARA personnel that were charged on a NARA credit card. Even though the monitoring of the credit card program appears to be sufficient, there were no written policies or procedures documenting how the monitoring of the charges of the credit card program should be accomplished. We also found one NARA employee in the Office of Records Services (NW) who did not have her credit card statement signed by her supervisor as required by NARA policy.

AUDIT FINDINGS

Several college courses were paid for by NARA when the courses did not relate to the employee's duties

The NARA purchase card was inappropriately used to pay for employee college courses that did not relate to the employee's duties. During our review of credit card transactions we sampled college courses taken by NARA employees that were paid for using the government credit card. We found two employees who were reimbursed for college courses that did not relate to the employee's duties. According to the NARA personnel manual (personnel 300, change 10 paragraph 6) "training must be related to the employee's officially assigned duties. A class is job-related if it will increase the knowledge, proficiency, ability, skill and qualifications of the employee in the performance of official duties". These employees were reimbursed for courses that were clearly not related to their official duties. For example, a budget analyst was reimbursed for taking courses in political analysis, selected topics in public affairs, and JAVA programming. Management stated that these courses were approved in order to enhance the employee's growth and benefit the agency; however, they are not allowable according to NARA policy. We presented data on ten courses that we considered questionable to the Director, Human Resources Services Division. The Director agreed that these courses did not relate directly to the employee's job duties. Therefore, NARA inappropriately paid \$9,883 in college

tuition for courses taken by NARA employees that did not relate to the employee's duties. This matter was referred to the Assistant Inspector General for Investigations for further review.

There are no written policies or procedures regarding the monitoring of the credit card function.

There are no written policies or procedures regarding the monitoring of the credit card function. NABF is currently monitoring credit card transactions on a regular basis. They received the monthly listing from Citibank and review the listing asking the credit card holder for support for items that appear to be unusual or suspicious. We feel that this monitoring process has been an effective tool in preventing inappropriate credit card use. Although NABF currently monitors credit card transactions on a regular basis, no written procedures exist for performing this function. Procedures should document how the monitoring process is performed and include: what to look for, examples of questionable transactions, what to do if a questionable transaction is found, frequency of review, how to document that the review was done and who should receive the results of the review. This condition exists because management has not developed pertinent policies and procedures over the monitoring process. The Office of Management and Budget, Circular No. A-123, dated June 21, 1995, states that "management controls should be an integral part of the entire cycle of planning, budgeting, management, accounting and auditing. They should support the effectiveness and the integrity of every step of the process and provide continual feedback to management." Therefore, this monitoring process needs to be documented in writing to ensure continued consistent application of the procedure.

OTHER MATTERS

One employee did not have their credit card statement signed by their approving official.

During our review we found only one employee in NW did not have her credit card statement signed by her approving official. The approving official stated that she reviewed the charges on the credit card; however, she did not sign the space provided on the credit card statement that asks for the approving official's signature. The approving official did not sign the credit card statement because she was not aware of the NARA policy requiring the approving official to sign the document.

Part 5 of the Procurement Guide, paragraph 10a.(10) States that the Cardholder "Sign the statement and forward it to the approving official within 4 calendar days of receipt." Paragraph 10b.(1) also states that "the approving official reviews the Statement of Account from each cardholder under their authority and signs the statement". These controls provide segregation of duties that prevent unauthorized or fraudulent purchases. Prior to the issuance of our draft report, this cardholder has been obtaining the signature of her approving official.

Recommendations. The Assistant Archivist for Administrative Services (NA) should develop and implement:

1. written policies and procedures documenting the current purchase credit card compliance monitoring process.
2. policies and procedures that incorporate proper oversight over the authorization for NARA employees to take college courses.

Management Comments.

Management concurs with our recommendations and agrees to take corrective action.



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Date : 26 SEP 2002

Reply to

Attn of : Adrienne C. Thomas, Assistant Archivist for Administrative Services

Subject : Draft Report: Review of NARA Purchase Credit Cards (Report No. 02-20)

To : Office of Inspector General

Thank you for the opportunity to respond to Draft Report: Review of NARA Purchase Credit Cards (Report No. 02-20).

Recommendation 1. The Assistant Archivist for Administrative Services should develop and implement written policies and procedures documenting the current purchase credit card compliance monitoring process.

Response: NA concurs with this recommendation.

The first review for compliance is at the organizational unit level.

The PROCUREMENT GUIDE, ch. 5, par. 10b.(2) states: "The approving official must be satisfied that the purchases were for official use and were appropriate purchases made in accordance with the FAR and NARA regulations. If not satisfied, the approving official may request additional documentation or direct the cardholder to return the item for credit."

The second review for compliance is performed by NAA/NABF. NABF monitors the credit card charges and handles accounting corrections that may be required. NABF will write standard operating procedures documenting the policy and procedures for monitoring credit card billing.

Recommendation 2. The Assistant Archivist for Administrative Services should ensure appropriate controls are established for credit card usage related to college courses attended by NARA employees.

Response: This recommendation finds that college courses (training) need to be monitored for relevance to an individual's job. NARA only pays for training that is job related. Immediate supervisors, second-line supervisors, and authorizing officials (those who sign the SF 182, Request, Authorization, Agreement and Certification of Training), are most familiar with the employee's duties and can make the most informed decision concerning the relevance of the requested training. The Staff Development Services Division (NHS) is responsible for managing the NARA training program and is the appropriate NARA office to provide guidance to these officials should, questions arise. NA agrees that under NARA's

current policy NARA should pay only for training that is job related, however, NAB lacks the authority and knowledge of employees' duties necessary to enforce the policy. NA has also recommended to NHS that NARA's policy regarding what training courses may be funded by NARA should be revised to reflect the greater flexibility allowed under recent Congressional changes to the statutes governing training for Federal employees. (Pub. L. 103-226, found at 5 USC 4101 (4), Amendments).



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Administrative Services