



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

# Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA

Report No. 14-P-0128

March 4, 2014



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## Abbreviations

CMM	Contracts Management Manual
EPA	U.S. Environmental Protection Agency
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
GSA	General Services Administration
OAM	Office of Acquisition Management
OARM	Office of Administration and Resources Management
OIG	Office of Inspector General
OMB	Office of Management and Budget

**Cover photo:** Government purchase card. (U.S. General Services Administration)

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# At a Glance

## Why We Did This Audit

The *Government Charge Card Abuse Prevention Act of 2012* states the Inspector General is to conduct periodic assessments of the agency purchase card and convenience check programs to identify and analyze risks of illegal, improper or erroneous purchases and payments. The Office of Inspector General (OIG) also looks for categories of purchases that could be made by means other than purchase cards in order to better aggregate purchases and obtain lower prices.

In fiscal year 2012, the U.S. Environmental Protection Agency's (EPA's) active cardholders spent more than \$29 million in purchases. The EPA did not provide effective oversight to ensure that purchase card holders and approving officials complied with internal control procedures.

### This report addresses the following EPA theme:

- *Embracing EPA as a high performing organization.*

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:  
[www.epa.gov/oig/reports/2014/20140304-14-P-0128.pdf](http://www.epa.gov/oig/reports/2014/20140304-14-P-0128.pdf)

## ***Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA***

### What We Found

The EPA did not provide effective oversight to ensure that purchase card holders and approving officials comply with internal control procedures. Of \$152,602 in transactions we sampled, we found \$79,254 of prohibited, improper and erroneous purchases. Some of the more egregious purchases we identified were meals for an awards recognition ceremony and gym memberships for EPA employees and their families.

**The EPA began taking action to improve the oversight of purchase cards and is considering other improvements.**

Although the Office of Administration and Resources Management's Federal Managers' Financial Integrity Act 2012 assurance letter stated that the agency would take corrective actions to correct any identified vulnerabilities, it allowed offices to skip a recent biennial review and did not require follow-up.

The EPA is analyzing transactions to identify purchases that can be made by other means to obtain lower prices. The EPA initiated a Business Analysis and Strategic Sourcing Service Center team to identify efficiencies in contracting to encourage competition and decrease spending with nonmandatory vendors. The EPA estimated potential cost savings of 8 percent.

### Recommendations and Planned Agency Corrective Actions

We recommend that the EPA implement regular transaction reviews to determine if the cardholders and approving officials are complying with EPA guidance. The EPA should provide additional training to the purchase card holders and approving officials to address issues identified in this report and institute follow-up actions for the prohibited, improper or erroneous purchases identified in this audit. The EPA should institute agencywide standard operating procedures, and revise the Contracts Management Manual to more specifically address purchases such as gym memberships and gift cards. In addition, the EPA should ensure that biennial review weaknesses are corrected and change the biennial review process to ensure that each office conducts uniform reviews, including transaction testing for every cardholder. The EPA's planned corrective actions address all of the draft report recommendations. Based on the response to the draft report, one recommendation was added to the report that the agency will need to address.

### Noteworthy Achievements

As we discuss in our audit results, the EPA began taking action to improve the oversight of purchase cards. The EPA is in the process of considering additional improvements, including focused transaction reviews to ensure compliance with EPA policies. In addition, we commend the EPA's strategic sourcing procurement efforts to obtain quantity discounts.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

March 4, 2014

**MEMORANDUM**

**SUBJECT:** Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA  
Report No. 14-P-0128

**FROM:** Arthur A. Elkins Jr. 

**TO:** Craig Hooks, Assistant Administrator  
Office of Administration and Resources Management

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The office responsible for implementing most of the recommendations is the Office of Acquisition Management. The Office of Human Resources is responsible for implementing one of the recommendations.

**Action Required**

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 60 calendar days. You should include planned corrective actions and completion dates for the unresolved recommendation. Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification. We will post this report to our website at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact Richard Eyermann, acting Assistant Inspector General for Audit, at (202) 566-0565 or [eyermann.richard@epa.gov](mailto:eyermann.richard@epa.gov); or Janet Kasper, Director, at (312) 886-3059 or [kasper.janet@epa.gov](mailto:kasper.janet@epa.gov).

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# Chapter 1

## Introduction

### Purpose

The *Government Charge Card Abuse Prevention Act of 2012* states the Inspector General is to conduct periodic assessments of the agency purchase card and convenience check programs to identify and analyze risks of illegal, improper or erroneous purchases and payments. The U.S. Environmental Protection Agency's (EPA's) Office of Inspector General (OIG) conducted an audit of the purchase cards and convenience checks to determine whether the EPA:

- Has sufficient controls to identify potentially illegal, improper and erroneous use of purchase cards.
- Is analyzing purchase card transactions to identify purchases that could be made by other means to obtain lower prices.

### Background

The government purchase card program was established over 30 years ago to streamline the federal acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. The General Services Administration (GSA) administers the governmentwide purchase card program. GSA contracts with several banks, including J.P. Morgan Chase, the bank the EPA uses to provide purchase cards to employees.

Office of Management and Budget (OMB) Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, established minimum requirements and best practices for agency purchase card programs. In addition, Appendix B requires that each agency develop and maintain written policies and procedures for the appropriate use of government purchase cards.

The *Government Charge Card Abuse Prevention Act of 2012* was enacted on October 5, 2012. It is designed to prevent recurring waste, fraud and abuse of government charge cards. The law requires agencies to take appropriate personnel actions for employees who violate purchase card guidelines or make erroneous, improper or illegal purchases. The law mandates a set of 13 core safeguards and internal controls each agency should utilize to prevent and detect improper use of government charge cards. It further instructs the OIG to conduct periodic risk assessments to determine the scope, frequency and number of periodic audits. The OIG's analysis or audits should identify:

- Potentially illegal, improper or erroneous uses of purchase cards.
- Any patterns of such uses.

- Categories of purchases that could be made by means other than purchase cards in order to better aggregate purchases and obtain lower prices.

For fiscal year (FY) 2012, the EPA's 1,370 active cardholders transacted more than \$29 million in purchases. In addition, the EPA's 309 convenience check writers wrote more than 1,000 checks totaling more than \$500,000. The EPA had 1,370 active purchase card holders of the 2,071 employees who are assigned purchase cards. Some employees have cards only for emergency response purposes. The bank contract provides refunds based on annual net volume of sales as well as prompt payment, and the EPA estimated that FY 2012 refund dollars totaled \$350,900.

## **Responsible Offices**

The office responsible for implementing most of the recommendations is the Office of Administration and Resources Management's (OARM's) Office of Acquisition Management. OARM's Office of Human Resources is responsible for implementing one of the recommendations.

## **Noteworthy Achievements**

As we discuss in our audit results, the EPA began taking action to improve the oversight of purchase cards. According to the EPA's purchase card team staff, some of the actions the EPA has implemented as of August 2013 include review of monthly bank reports to identify taxes paid on transactions and review of payee names on convenience checks to look for checks to EPA employees. The EPA is also in the process of considering other improvements, such as focused transaction reviews to ensure compliance with EPA policies, uniform standard operating procedures, and working with human resources on disciplinary actions for misuse, fraud, and abuse of purchase cards.

## **Scope and Methodology**

We conducted this audit from January 2013 through November 2013, in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The purchase card team within the Office of Acquisition Management's (OAM's) Policy, Training and Oversight Division is responsible for administering the purchase card program and serves as the liaison between cardholders and the contracted bank. The team establishes policies and training requirements. They oversee set up and canceling of accounts and provide ongoing advice to

cardholders and approving officials. In addition, they conduct purchase card oversight to ensure that the program is operating in accordance with applicable guidance.

We evaluated the effectiveness of the EPA's internal controls through review of policies, procedures and biennial reviews as well as transaction testing. We analyzed the internal control procedures available on the purchase card website and obtained from the purchase card team. We reviewed reports of declines, infractions, inactivity, split purchases and separated employees. We reviewed criteria documents such as OMB A-123 Appendix B, EPA's Contract Management Manual, and EPA guidance on food and awards.

We evaluated the EPA's purchase card and convenience check internal controls by interviewing purchase card holders, approvers and management responsible for oversight. We tested the effectiveness of internal controls through review of transactions selected from a focused sampling plan. We obtained a spreadsheet of the 67,000 FY 2012 transactions. Next we reviewed the merchant names and merchant category codes for atypical transactions and higher risk transaction groups. Then we randomly selected 69 transactions from the 15 transaction groups. We did not choose a statistical sample because the *Government Charge Card Abuse Prevention Act of 2012* emphasized identifying cases of illegal, improper or erroneous purchases. We also selected 11 transactions that seemed inappropriate because of the name or merchant category codes (such as dance hall, child care, theater and music). Cardholders, convenience check writers and approving officials were asked to provide documentation supporting each of the selected transactions.

We analyzed the FY 2012 biennial reviews to identify the internal controls tested and how the results were used by management. We also reviewed how the internal controls were reported in OARM's annual Federal Managers' Financial Integrity Act (FMFIA) assurance letter to the EPA Administrator. We interviewed staff who prepared biennial reviews and the FMFIA assurance letter. We compared the FY 2012 biennial review results to the 2008 biennial review results and attempted to obtain the FY 2010 results as well.

We analyzed the largest dollar volume vendors from FY 2012 to determine the top five vendors. Then we interviewed responsible staff to determine actions the EPA is taking to obtain lower prices.

There were no prior audits impacting the objectives of this assignment.



## Chapter 2

### Purchase Card Team Did Not Provide Effective Oversight

The EPA did not provide effective oversight to ensure that purchase card holders and approving officials comply with internal control procedures. Purchase card users must comply with federal and EPA requirements. The EPA's oversight was not effective because of inattention to EPA policies by cardholders, approving officials and the purchase card team. Of \$152,602 in transactions we sampled, we found \$79,254 of prohibited, improper and erroneous purchases were not detected. This lack of compliance indicates a continued risk of prohibited, improper and erroneous purchases.<sup>1</sup> Improved purchase card oversight potentially saves money by reducing prohibited, improper and erroneous purchases, which would be especially helpful in the current budget environment.

#### Purchase Card Users Must Comply With Federal and EPA Requirements

OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, states that agencies should identify specific risks associated with charge card programs, and implement strict internal controls to mitigate these risks to the greatest possible extent. The charge card management plan requires management controls, policies and practices for ensuring appropriate charge card and convenience check use, oversight of payment delinquencies, fraud, misuse or abuse.

The EPA's Contracts Management Manual (CMM) establishes policy for the use of governmentwide commercial purchase cards. The CMM provides guidance in the following areas:

- **Record Keeping:** Cardholders are required to maintain a purchase card log as well as other supporting documentation, and coordinate with property officials to ensure that accountable or sensitive personal property purchases are tracked.
- **Prior Approval:** Approval from the approving and funds certifying officials is required prior to purchase.
- **Independent Receipt Verification:** Cardholders shall obtain third party verification that the item ordered was received.
- **Prohibited Transactions:** Transactions using third-party payment processors and individual employee memberships in professional organizations are prohibited.

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<sup>1</sup> In this report, we define improper transactions as purchases that, although intended for government use, are not permitted by law or government/agency policy.

- **Restricted Transactions:** Cardholders are restricted in making certain purchases. For example, acquisition professionals are needed to make purchases for orders requiring the cardholder to accept a vendor's terms or sign a vendor's agreement or contract, public building alteration and repair, and purchases requiring a statement of work or certain advance payments.
- **Requires Prior Approval:** Some transactions require additional approvals:
  - An information management officer signature or email confirmation is required for electronic and information technology.
  - A facilities manager's signature or email confirmation is required when the purchase includes conference facilities and meeting rooms, audio-visual equipment, and building alteration and repair.
  - A training officer's signature or email confirmation is required for employee training.<sup>2</sup>
- **Specific Sources:** The CMM lists priority sources that must be used before purchasing from commercial vendors.
- **Closer Scrutiny Required:** Non-monetary awards, light refreshments and meals, conferences, meeting retreats and other events require closer scrutiny.
- **Standard Operating Procedures:** All approving officials must develop standard operating procedures but the content is at the discretion of the approving officials as long as procedures are consistent with federal and agency policy.

## EPA Cardholders and Approving Officials Did Not Comply With Policy and Procedures

The EPA's oversight was not effective in ensuring that purchase cardholders and approving officials complied with internal controls. The EPA's internal controls did not prevent prohibited, improper and erroneous purchases. The EPA staff did not follow policies on restricted and prohibited transactions and records maintenance, leading to questions regarding the validity of the purchases.

We found a number of transactions where cardholders, approving officials, the purchase card team and program offices were not providing oversight. Although cardholders must evaluate each purchase request to ensure that it complies with federal and agency acquisition rules, in many transactions, they did not. Although the approving official is responsible for conducting personal and detailed reviews of cardholders' transactions to ensure compliance with all applicable regulations, policy, special approvals and purchase card procedures, the approving official frequently did not provide the required oversight.

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<sup>2</sup> Although the CMM does not include conferences in the definition of training, EPA's process for approving training includes any type of training event including conferences.

Table 1 summarizes top internal control issues from the 80 high risk transactions we reviewed. No internal control issues were found in three transactions, and the other transactions averaged two internal control issues, but one had six.

**Table 1: Top internal control issues**

Ref.	Internal Control Oversight Issues	Number of transactions
1	Cardholders did not verify receipt	28
2	Cardholders did not obtain prior approval	24
3	Transaction not funded prior to purchase	20
4	Purchase logs not reviewed	14
5	Restricted transactions/missing required approvals	13
6	Required sources not utilized	11
7	Closer scrutiny required but not performed	10
8	Records not maintained	9
9	Prohibited transactions approved	7

Source: OIG analysis of documentation provided by the EPA.

### ***1 - Cardholders Did Not Verify Receipt***

In 28 (35 percent) of the 80 sampled transactions, valued at \$47,222, cardholders did not have the required independent third party verification. The CMM requires third party verification that the ordered item was received. In one transaction, the cardholder explained that verbal verification was received, but it was not noted. Several training transactions did not have proof that training was received, although some verification was provided after we asked for it. Most gift card recipients were not required to sign for them upon receipt. Cardholders did not obtain verification for a variety of reasons, including they did not believe it was applicable or they did not understand the definition of third party verification. Noncompliance increases the possibility that purchases could be made for personal use rather than government need. It also increases the risk that the government is paying for items that were not received.

### ***2 - Cardholders Did Not Obtain Prior Approval***

Cardholders placed orders prior to receiving approving official approval for 24 (30 percent) of the 80 sampled transactions, valued at \$39,713. The CMM requires approval prior to purchase unless approving official operating procedures waive the requirement for certain purchases, such as office supplies. In two training transactions, cardholders mistakenly stated that approval is not required since the training officer had approved the training. When approving officials do not approve purchases in advance, there is a higher risk that purchases will not comply with EPA guidelines. Approving officials are supposed to determine if transactions are reasonable and necessary, and their oversight can provide needed cost savings.

### **3 - Transactions Not Funded Prior to Purchase**

Cardholders did not obtain funding prior to purchase for 20 (25 percent) of the 80 sampled transactions, valued at \$41,415. The CMM states that before placing orders, cardholders must coordinate with the funds certifying official to ensure funds are available. One cardholder waited until the employee received the product before requesting the funding. Another cardholder was not aware of this requirement. Cardholders may believe that funding is only required prior to payment, not prior to purchase. When cardholders are noncompliant with this funding requirement, the EPA has a higher risk of improperly obligating government funds.

### **4 - Purchase Logs Not Reviewed**

Approving officials did not review purchase card logs for 14 (18 percent) of the 80 sampled transactions, valued at \$22,402. The CMM requires that approving officials review and approve cardholders' logs at least quarterly. Approving officials were inattentive to this requirement. In one transaction, the approving official incorrectly believed it was unnecessary to perform a quarterly review because he approved the purchase in advance. Consequently, he was unaware that the funder and cardholder amended his prior approval to purchase an additional item. In fact, this was a fraudulent purchase in the amount of \$805. When purchase card logs are not reviewed quarterly, cardholders may change previously approved purchases and the approving official would not discover potential fraud. In this budget environment, it is especially important that approving officials ensure that cardholders are being good stewards of taxpayer dollars.

### **5 - Restricted Transactions/Missing Required Approvals**

In 13 (15 percent) of 80 transactions, valued at \$21,465, cardholders did not follow restricted transaction and approval policies. The CMM identifies certain transactions as restricted to purchase by acquisition professional cardholders, or requires approval by a facilities manager, information management officer or training officer. Cardholders who were not acquisition officials purchased items that EPA guidance restricts to acquisition professionals. Examples of such transactions include anything requiring a statement of work, advanced payments, facilities or technology purchases.

- In three instances, cardholders who were not acquisition professionals purchased gym memberships that required pre-payment for services totaling \$2,867. Two of those purchases were for family memberships, and not just the EPA employee. The cardholders were inattentive to the policy that requires any order requiring advance payment be ordered by acquisition professional card holders. When cardholders do not involve acquisition professionals, the government's interest is not protected.

- In several transactions, meeting space was purchased without the approval of an EPA facilities manager or by an acquisition professional cardholder. One cardholder held a meeting at a nearby hotel and did not know he was required to seek approval from the EPA facilities manager. The EPA could have saved over \$2,400 if the meeting was held in the nearby government conference room.
- In another transaction for booth rental, an acquisition professional was not involved as required. Neither the cardholder nor the approving official knew that a contract required an acquisition professional. When acquisition professionals are not involved, there is a risk that the government's interests are not protected.

Since the purchase cards are intended for simple, over-the-counter purchases, and most cardholders are not acquisition professionals, they do not have the training to properly process orders which require statements of work, specifications, clauses or indefinite pricing.

### ***6 - Required Sources Not Utilized***

In 11 (14 percent) of the 80 sampled transactions, valued at \$11,694, for the purchase of supplies, cardholders and approving officials did not use mandatory sources and thought that it was optional. The CMM allows cardholders to opt out of using mandatory sources only under specific circumstances. One cardholder said the mandatory vendor takes too long to deliver, and another cardholder did not think that the mandatory source requirement applied. None of the cardholders documented the need for an alternative vendor over mandatory sources. Cardholders and approving officials misunderstood the EPA's policy requirement for using mandatory sources before using a commercial vendor. When cardholders do not use mandatory sources, the EPA does not obtain the potential cost savings from strategic sourcing agreements.

### ***7 - Closer Scrutiny Required But Not Performed***

Ten (13 percent) of 80 sampled transactions required closer scrutiny and were not handled appropriately. They were valued at and resulted in cost issues of \$12,643. We found that cardholders and approving officials were not cautious in the following situations:

- Inappropriate food purchases were a problem in three transactions. The CMM advises cardholders and approving officials to be cautious when placing orders for clothing, entertainment, non-monetary awards and light refreshments. EPA Order 1900.3 established policy for determining the circumstances where light refreshments, meals or ethnic food samples may be purchased using EPA-appropriated funds and defines light refreshments

for award ceremonies. Although light refreshments are defined as those that do not include portions of food typical of a meal, in one of our samples, light refreshments included all the elements of a meal for an awards ceremony. Four different appetizers, chicken tenderloin, fresh fruit, pasta salad, large cookies, soft drinks and punch were purchased at a cost of \$2,900. Meals are not an allowable expense for an awards recognition ceremony. Cardholders misinterpreted the food policies. These funds could have been put to better use, and inadequate oversight put funds at risk.

- Gift cards were a problem in seven transactions. In one example, 20 American Express gift cards were purchased for \$1,588 to provide on-the-spot awards. There was no third-party verification that any awardees received the gift cards. Office of Personal Management guidance states that cash equivalents (including gift certificates and vouchers with a clear face value) given as awards are generally taxable. The Performance Management Recognition Handbook states that an item or memento given as a non-monetary award must demonstrate the employee-employer relationship (e.g., EPA logo or other appropriate meaning) and must not have a monetary value either in terms of being converted to cash or in terms of clearly conveying a sense of cash value. The gift cards did not meet these requirements. The EPA misinterpreted the policies related to non-monetary awards. The EPA cardholders and approving officials understood that gift cards could be used as employee awards because an EPA attorney supposedly approved it in the past. The gift cards were not an appropriate use of government funds and funds could have been put to better use within EPA programs. Continued misapplication of the award policy will continue this poor accountability and erroneous use of government funds.

### ***8 - Records Not Maintained***

We found that nine (12 percent) of the 80 sampled transactions, valued at \$33,549, were not supported by adequate recordkeeping. Documents supporting two transactions totaling \$26,152 could not be located despite instructions to maintain supporting documentation. The EPA's policy requires the retention of documentation for 3 years on a fiscal year basis. Cardholders were not attentive to this basic requirement. In two cases, the cardholders left their positions and no arrangements were made to retain the records. In another transaction the cardholder stated that records were not kept because of privacy concerns. This lack of documentation increases the risk that purchases could be fraudulent, improper or abusive.

## **9 - Prohibited Transactions Approved**

In seven (9 percent) of 80 sampled transactions, cardholders and approving officials made \$8,165 in purchases prohibited by the CMM. The CMM prohibits a number of types of purchases, including any order which is not a necessary expense of appropriated funds for official government business, use of third party processors which provide payment processing services for merchants that do not have a system to accept the credit card, and purchase of individual employee memberships. One cardholder purchased environmental education DVDs totaling \$500 and used a third party processor because she did not have check writing privileges. In two other cases, the cardholders did not realize that a third party processor was used. Another cardholder purchased an individual employee membership in an academic organization. When the cardholders are inattentive to CMM policy about prohibited transactions, cardholders can make unnecessary and inappropriate purchases.

### **Ineffective Oversight Contributes to Risks**

The EPA's oversight was not effective because of inattention to EPA policies by cardholders, approving officials and the purchase card team. They did not identify specific risks and implement strict internal controls to mitigate these risks to the greatest possible extent, as required by OMB.

As part of its oversight, the purchase card team reviewed reports from the purchase card issuing bank for split purchases, declines and separation reports to look for erroneous transactions. However, according to the audit liaison of the Policy, Training and Oversight Division, the purchase card team has not conducted additional reviews of transactions due to a shortage of staff.

Approving officials wrote their own standard operating procedures, as required by the CMM. However, some of the standard operating procedures were inconsistent with federal and EPA policies. For example, one office's procedure classified lab/testing supplies, furniture and computer purchases as routine. Another office's policy did not require prior approval by the cardholder's approving official for training. Until recently, the purchase card team did not receive or review the standard operating procedures to know if they complied with the EPA's overall purchase card policies.

Inadequate training contributed to noncompliance with EPA policies. Some cardholders do not use their purchase cards every year. Consequently, they are less experienced and unfamiliar with the proper procedures. The requirement for training only once every 3 years may not be effective in maintaining cardholders' retention of proper procedures.

## Purchase Card Program Needs Improvement

Seventy-five of 80 reviewed transactions were not in compliance with EPA policies. The total sample value was \$152,602, of which \$79,254 represented prohibited, improper and erroneous purchases. These transactions represented purchases of gym memberships, food, hotel space, and purchases split to stay under threshold for using the purchase card.

**Table 2: The 80 sampled transactions listed by type of transaction and cost issues**

Transaction Type	Sample	Sample dollar value	Third party verification for training	Closer scrutiny	Restricted/ approvals	Missing records	Prohibited	Other <sup>3</sup>	Total cost issues
Fitness	5	\$19,735			\$ 2,867	\$14,368			<b>\$17,235</b>
Gift certificates	5	8,163		8,163					<b>8,163</b>
Split purchases	3	7,500						\$7,500	<b>7,500</b>
Office supplies	17	14,182		500	199			896	<b>1,596</b>
Food	7	4,784		3,980				21	<b>4,001</b>
Hotel	5	11,738			5,908			1,221	<b>7,129</b>
Training	4	6,466			709			7	<b>716</b>
Close to \$3,000 <sup>4</sup>	10	52,101			5,930	11,788	3,000	42	<b>20,760</b>
Unusual merchant code	6	6,551			2,092		3,015		<b>5,107</b>
Automotive	5	7,185						17	<b>17</b>
Charity	4	1,750	350						<b>350</b>
Third party processor	4	3,357					2,150		<b>2,150</b>
Convenience checks	5	9,090	1,630		2,900				<b>4,530</b>
<b>Total</b>	<b>80</b>	<b>\$152,602</b>	<b>\$1,980</b>	<b>\$12,643</b>	<b>\$20,606</b>	<b>\$26,156</b>	<b>\$8,165</b>	<b>\$9,704</b>	<b>\$79,254</b>

Source: OIG analysis of sampled transactions showing source of cost issues.

These transactions were undetected by EPA's cardholders, approving officials and purchase card team. With ineffective management controls to ensure the appropriate use of EPA purchase cards, there is a continued risk of prohibited, improper and erroneous purchases.

## Conclusion

In summary, the EPA's oversight did not ensure that purchase card holders and approving officials complied with internal control procedures. Half of the dollar value of our sampled transactions contained prohibited, improper or erroneous purchases. This indicates an ongoing risk. Improved purchase card oversight

<sup>3</sup> This category includes split purchases, overcharges, sales tax and lost refunds due to late payment by cardholders.

<sup>4</sup> We sampled 10 transactions close to \$3,000 because the micro-purchase threshold is \$3,000. Purchases over \$3,000 should be handled by acquisition professionals and purchases close to \$3,000 could be split purchases.



could save the government money, which would be especially helpful in the EPA's current budget environment.

## Recommendations

We recommend that the Assistant Administrator for Administration and Resources Management:

1. Implement regular transaction reviews to determine if the cardholders and approving officials are complying with EPA guidance.
2. Institute agencywide standard operating procedures, and ensure that any deviations comply with guidance.
3. Provide additional training on the purchase card policy and procedures to the purchase card holders and approving officials to address the noncompliance issues identified in this report.
4. Revise the CMM to more specifically address purchases requiring closer scrutiny such as gym memberships and gift cards.
  - 4a. Determine whether the purchase of gift cards as awards is an appropriate use of government funds and make the necessary revisions to EPA policies to establish appropriate internal controls.
5. Institute follow-up actions as appropriate to hold individuals accountable and recover the funds used for the prohibited, improper or erroneous purchases identified in this audit.

## Agency Comments and OIG Evaluation

In its response, OAM agreed with all the recommendations and provided corrective action plans, with completion dates, to address the recommendation. OAM also commented on some of the findings and the draft report was revised where appropriate.

In response to recommendation 1, OAM is planning the following corrective actions.

- Amend the CMM to address approval and documentation requirements for purchase card actions procured through EPA's Acquisition System by warranted contracting officers.
- Deploy an automated system including an electronic purchase card log.
- Research, analyze and assess the viability of establishing liaisons in each of 23 offices to work closely with OAM on managing internal controls and oversight responsibilities.

- Assess the viability of increasing data mining through the bank and Visa to enhance internal controls and oversight.

The agency indicated these corrective actions will be taken by September 30, 2014. When implemented, the agency actions, taken as whole, should address the recommendation.

OAM agreed with recommendation 2 and plans to develop and distribute draft standard operating procedures by March 31, 2014, with final procedures anticipated by December 31, 2014.<sup>5</sup> When implemented, the agency actions should address the recommendation.

In response to recommendation 3, OAM stated it is planning the following corrective actions.

- Review the audit findings to ascertain the specific areas of noncompliance. Develop mini training sessions for all cardholders and approving officials. Training will be completed by September 30, 2014.
- Depending on the severity of the violation, cardholder(s) and approving official(s) deemed to be in violation of agency policy or procedures may have their authority revoked or suspended pending the completion of the aforementioned training.
- Purchase card policy will be revised to include this supplemental training requirement, as well as the new suspension and revocation implications. A draft of the revised policy will be completed by September 30, 2014.
- Purchase card training requirements will be changed from every 3 years to every 2 years effective January 2014. The CMM revision will be updated to reflect this change.

When implemented, the agency actions should address the recommendation.

In response to recommendation 4, OAM stated it is planning the following corrective actions.

- Revise the CMM and review the audit findings to ascertain the specific areas requiring closer scrutiny that will be addressed with cardholders and approving officials. A draft rewrite will be completed by September 30, 2014.
- Review cardholder supporting documentation and converse with both the cardholder and approving office concerning the purchase of gym memberships. Pursue reimbursement to the agency where deemed appropriate by June 30, 2014.

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<sup>5</sup> EPA response contained a December 30, 2015 date. However, we confirmed with OAM staff that it is supposed to be December 30, 2014.

- Recently blocked 130+ additional Merchant Category Codes to prevent transactions considered high risk, including codes considered non-applicable for routine Agency purchase card transactions.

The agency's corrective actions should address the recommendation.

OAM stated that gift card purchases are not a purchase card issue but a process issue because managers are responsible for executing SF-50 actions, as they would for any other monetary or time off award, in order to capture this data on the employee's W-2 form for tax purposes. The OIG was unable to identify this specific requirement and the response did not address the issues in the report related to gift cards. Our review found several issues related to the use of a purchase card to buy gift cards for awards. First, EPA Manual 3130 A2, Recognition Policies and Procedures Manual, does not specifically address whether gift cards can be used as informal or formal recognition. Second, purchase card holders bought multiple quantities of gift cards at the same time but did not always maintain records of who received the gift cards. Third, Office of Personal Management tax guidance on awards states gift certificates and vouchers are cash equivalents and are generally taxable regardless of amounts. The EPA needs to address each of these issues if it is to continue to allow purchase card holders to buy gift cards to be used as awards. Recommendation 4a has been added to address the issues related to gift cards. The EPA will need to provide a corrective action plan and milestone date for addressing the recommendation when responding to the final report. The responsible office for this new recommendation is the Office of Human Resources.

OAM agreed with recommendation 5 and proposed the following corrective actions.

- Update the CMM to remove the prohibition against using third party processors. The draft rewrite of the CMM will be completed by September 30, 2014. OIG understands that third party processors are now common and that OAM plans to remove the prohibition from the CMM. OIG cautions that EPA must then ensure that IRS form 1099s are generated for individuals who receive third party processor payments for services.
- Conduct follow-up to hold individuals accountable for other types of prohibited, improper or erroneous purchases identified in the audit report. Final written disposition will be completed by June 30, 2014.

When implemented, the agency actions should address the recommendation.

To assist in the resolution of the report and tracking of corrective actions, appendix B contains a table of the agreed-to corrective actions and planned completion dates.

## Chapter 3

### Biennial Reviews Need Improvement

Although OARM's FY 2012 FMFIA assurance letter stated that it would take corrective actions to correct any identified vulnerabilities and improper use of the purchase card, it did not complete the required 2010 biennial review and did not ensure that corrective actions were taken on vulnerabilities identified during the 2008 biennial review. Federal and EPA policy require, at a minimum, a review every 24 months. The purchase card team allowed offices to skip the 2010 biennial review and did not require follow-up to correct internal control weaknesses noted in prior years' reviews because they did not believe they had the authority to do so. Because the EPA's purchase card biennial reviews were not effective in identifying and correcting internal control weaknesses within program and regional offices, the same problems continued from 2008.

#### Biennial Review Requirements

The EPA's *Purchase Card Review Program* memorandum dated June 28, 2004, stated:

There has been no Agency consistency in how program oversight reviews are conducted, and no centralized effort to capture and review the reports for systemic issues. The agency needs a formal, centralized purchase card oversight program that involves OAM and EPA program offices or regions that use the purchase card.

As a result of the memorandum, the CMM was updated to improve oversight consistency. The CMM assigns responsibility for the overall implementation, quality, and consistency of the purchase card program to the purchase card team. At least once every 24 months, program organizations shall conduct a review to ensure compliance with agency and federal policies. Program offices and regions decide when to schedule reviews, but reviews must be conducted at a minimum every 24 months. The review must encompass a sampling of transactions from each of the cardholders under the approving official. Program and regional offices shall provide the results of their reviews to the purchase card team, and the offices should perform required follow-up or corrective actions as needed.

#### Biennial Reviews Are Not Effective in Identifying and Correcting Internal Control Weaknesses

The EPA's oversight was not effective in ensuring that biennial reviews were performed as required. The EPA was also not effective in ensuring consistency, and the FMFIA assurance letter was inaccurate.

We were told that half of the program offices did not conduct a biennial review in 2010 as required. No consequences occurred. The CMM required biennial reviews, but the purchase card team allowed offices to skip the 2010 biennial review and did not follow up on previous weaknesses. The purchase card team did not believe they had the authority to demand performance of the biennial reviews. Since the biennial review process was not followed, corrective actions and improved internal controls did not occur and weaknesses continued from 2008 onward. Table 3 shows that the same internal control weaknesses that occurred in 2008 continued to occur in 2012.

**Table 3: Comparison of weaknesses reported in 2008 and 2012 biennial reviews**

Internal control weakness	2008 biennial review	2012 biennial review
Missing third party verification of receipt	X	X
Supporting documentation not adequate	X	X
Standard operating procedure difficulties	X	X
Purchase card logs not complete	X	X
Cost allocations take more than 10 days	X	X
Not approved before funds committed	X	X
Did not use mandatory sources as required	X	X

Source: OIG analysis of the EPA's 2008 biennial review consolidated report and the 2012 biennial reviews.

The quality of the biennial reviews was inconsistent among the programs and regional offices. We noted differences in whether responsible staff:

- Use purchase card team guidance to perform the biennial reviews.
- Observe and report additional risk factors noted during the review.
- Plan the review in advance and assign support staff.
- Test transactions of all cardholders.

These differences resulted in biennial reviews that were inconsistent and did not allow the purchase card team to compare the internal controls in the program and regional offices. The EPA provided inadequate guidance to promote consistency in the biennial reviews. When quality is inconsistent, there is no way to compare results for systemic issues and take corrective actions.

The August 17, 2012, FMFIA assurance letter issued by OARM to the EPA Administrator stated OARM will correct any identified vulnerabilities and improper use of the purchase card. At the time of the letter, neither the 2010 nor the 2012 reviews had been completed. FMFIA requires the OARM program office to attest to the soundness of its internal control procedures annually. The assurance letter staff were not aware that the required 2010 biennial review had not been performed. Also, they stated that the OARM letter only applied to purchases made by OARM cardholders. When assurance letters do not provide accurate status of internal control risks, the integrity of the FMFIA process and

the adequacy of its internal controls to prevent fraud, waste and abuse are called into question.

## **Internal Control Problems Continue Year After Year**

Because the EPA's purchase card biennial reviews are not effective in identifying and correcting internal control weaknesses, the same problems continue year after year. Also, if management is not aware of the extent of the problems, the risk cannot be mitigated. Since the biennial review process was not used as required in the CMM to improve the EPA's compliance with agency and federal policies, corrective actions did not occur and weaknesses continued from 2008. In light of the current budget situation, the purchase card team should provide adequate internal control oversight to protect funds from unreasonable expenditures.

## **Recommendations**

We recommend that the Assistant Administrator for Administration and Resources Management:

6. Ensure biennial review weaknesses are corrected by each office's management and correctly reported in OARM's assurance letter.
7. Change the biennial review process to ensure that each office conducts uniform reviews including transaction testing for every cardholder.

## **Agency Comments and OIG Evaluation**

In response to recommendation 6, OAM agreed with our recommendation and is in the process of integrating purchase card oversight into the performance measurement and management program in order to ensure review results are correctly reported in OARM's assurance letter. This will be completed by September 30, 2014. When implemented, the agency actions should address the recommendation.

In response to recommendation 7, OAM agreed with our recommendation and will include organizational self assessments and peer reviews under the contract management assessment program. This will be completed by September 30, 2014. When implemented, the agency actions should address the recommendation.

To assist in the resolution of the report and tracking of corrective actions, appendix B contains a table of the agreed-to corrective actions and planned completion dates.

## Chapter 4

### Strategic Sourcing to Gain Better Prices

The EPA is analyzing efficiencies in contracting, including purchase card transactions to identify purchases that can be made by other means to obtain lower prices. OMB suggests program managers should be aware of any agencywide or multi-agencywide contracts that will yield better pricing and ensure that cardholders are aware of agency policies for using these contracts. The EPA just recently began its strategic sourcing efforts and is currently focusing on information technology and lab supplies. The EPA's Business Analysis and Strategic Sourcing Service Center staff stated that increases in strategic sourcing agreements will result in potential cost savings of 8 percent.

OMB Circular A-123, Appendix B, aims to improve the management of government charge card programs and suggests purchase card program managers should be aware of any agencywide or multi-agencywide contracts that will yield better pricing, and ensure that cardholders are aware of agency policies for using these contracts. For example, agencies should minimize the number of small orders from schedule contracts and consider a more strategic approach to buying certain commodities. Lastly, agencies should review and analyze purchase card spending patterns and levels for opportunities to negotiate discounts, improve the buying process and increase savings based on volume.

The EPA initiated a Business Analysis and Strategic Sourcing Service Center team to identify efficiencies in contracting in October 2012. Strategic sourcing critically analyzes an organization's spending patterns to better leverage its purchasing power, reduce cost and improve management of commonly purchased goods and services. The new team is pursuing strategic sourcing opportunities ranging from laboratory supplies to information technology services, which could potentially save up to \$60 million in annual costs or avoided costs.

We aggregated the purchase card transactions in FY 2012 by vendor and identified the top five purchase card vendors. The top four vendors are laboratory, office and computer suppliers. The EPA already had contracts with two of those vendors and is currently pursuing competitive blanket purchase agreements with two other vendors. Table 4 shows transaction and dollar volumes for the top five vendors.

**Table 4: Top Purchase Card Vendors in FY 2012**

<b>Merchant</b>	<b>Number of transactions</b>	<b>Dollar amount</b>	<b>Current contract actions</b>
Vendor A	1,459	\$1,383,359	Pursuing blanket purchase agreement
Vendor B	2,803	1,231,321	Currently has a contract
Vendor C	2,075	930,370	Pursuing blanket purchase agreement
Vendor D	399	411,823	Currently has a contract
Vendor E	2,257	367,068	Nothing at this time

Source: OIG analysis of purchase card top vendors.

The EPA's efforts to find additional cost savings may be realized in new strategic sourcing agreements. The EPA believes its efforts to pursue strategic sourcing agreements will result in the following:

- Increased strategic sourcing agreements may decrease spending with nonmandatory vendors.
- New contracts established with multiple vendors will further promote competition and best pricing alternatives.
- Streamlining purchase opportunities will save costs, time and effort spent on purchases.

The EPA estimated potential cost savings of 8 percent.

In light of the EPA's strategic sourcing procurement efforts to obtain quantity discounts, we have no recommendation.



## **Status of Recommendations and Potential Monetary Benefits**

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	12	Implement regular transaction reviews to determine if the cardholders and approving officials are complying with EPA guidance.	O	Assistant Administrator for Administration and Resources Management	09/30/2014		
2	12	Institute agencywide standard operating procedures, and ensure that any deviations comply with guidance.	O	Assistant Administrator for Administration and Resources Management	12/31/2014		
3	12	Provide additional training on the purchase card policy and procedures to the purchase card holders and approving officials to address the noncompliance issues identified in this report.	O	Assistant Administrator for Administration and Resources Management	09/30/2014		
4	12	Revise the CMM to more specially address purchases requiring closer scrutiny such as gym memberships and gift cards.	O	Assistant Administrator for Administration and Resources Management	09/30/2014		
4a	12	Determine whether the purchase of gift cards as awards is an appropriate use of government funds and make the necessary revisions to EPA policies to establish appropriate internal controls.	U	Assistant Administrator for Administration and Resources Management			
5	12	Institute follow-up actions as appropriate to hold individuals accountable and recover the funds used for the prohibited, improper or erroneous purchases identified in this audit.	O	Assistant Administrator for Administration and Resources Management	06/30/2014	\$79	\$79
6	17	Ensure biennial review weaknesses are corrected by each office's management and correctly reported in OARM's assurance letter.	O	Assistant Administrator for Administration and Resources Management	09/30/2014		
7	17	Change the biennial review process to ensure that each office conducts uniform reviews including transaction testing for every cardholder.	O	Assistant Administrator for Administration and Resources Management	09/30/2014		

<sup>1</sup> O = Recommendation is open with agreed-to corrective actions pending.

C = Recommendation is closed with all agreed-to actions completed.

U = Recommendation is unresolved with resolution efforts in progress.

## ***Agency's Response to Draft Report***

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OFFICE OF  
ADMINISTRATION  
AND RESOURCES  
MANAGEMENT

JAN 24 2014

### **MEMORANDUM**

**SUBJECT:** Response to Draft Audit Report OA-FY13-0116: *EPA Needs to Improve Purchase Card Oversight*

**FROM:** Craig E. Hooks, Assistant Administrator  
Office of Administration and Resources Management

**TO:** Janet Kasper, Director  
Contracts and Assistance Agreements Audits

OAM has reviewed Draft OIG audit OA-FY13-0116, and provides the following discussion and information in response to audit findings and recommendations.

### **Response to Recommendations**

**Recommendation 1:** Implement regular transaction reviews to determine if the cardholders and approving officials are complying with EPA guidance.

**OAM Response:** OAM agrees with this recommendation, but takes exception to the report finding that Contracting Officers (CO's) did not get Approving Official (AO) approval before making a purchase (page 11 section 1 – Cardholders Did Not Obtain Prior Approval). Warranted contracting officers are not subject to the same requirements as programmatic cardholders. COs receive requisitions through EPA Acquisition System, which includes programmatic approvals and validates the requirement. As a result, the EAS purchase request record fully complies with purchase card approval and documentation policies. Having explained this situation, OAM agrees that CMM Chapter 13.3 does not differentiate between documentation requirements for CO's versus program office cardholders. Consequently, the rewrite of CMM Chapter 13.3 "Using the Government-wide Commercial Purchase Card" will address approval and documentation requirements for purchase card actions being procured through EAS by warranted contracting officers for programmatic clients. A draft rewrite will be completed by September 30, 2014.

With regard to approval and documentation requirements for all other cardholders, OAM will take the following corrective actions by September 30, 2014:

- Deploy an automated system including an electronic purchase card log with a requirement to document ALL purchase card transactions Agency-wide. The system will ensure documented evidence of electronic approvals and provide a record of all purchases made with purchase cards and/or convenience checks.
- Within each cognizant contracting organization, research, analyze and assess the viability of establishing Organization Program Coordinator (OPC) liaisons in each of EPA's 23 offices. These individuals will work closely with OAM on managing internal controls and oversight responsibilities within their respective programs or regional offices.
- Assess the viability of increasing data mining reporting through the bank and Visa to enhance internal controls and oversight.

**Recommendation 2:** Institute Agency-wide standard operating procedures, and ensure that any deviations comply with guidance.

**OAM Response:** OAM agrees with this recommendation and will develop and distribute draft standard operating procedures by March 31, 2014, with a final SOP anticipated by December 31, 2015.

**Recommendation 3:** Provide additional training on purchase card policy and procedures to purchase cardholders and approving officials to address the non-compliance issues identified in this report.

**OAM Response:** OAM agrees with this recommendation and will review the audit findings to ascertain the specific areas of non compliance that need to be addressed with cardholders and approving officials.

For areas of non-compliance identified, OAM will develop mini training sessions that will be offered to all cardholder and approving officials on those subjects. These mini training sessions will be in addition to the mandated (required) training that cardholders and approving officials must successfully complete to obtain/maintain a purchase card, convenience check and/or approving official authority. Training will be completed by September 30, 2014.

Depending on the severity of the violation, cardholder(s) and approving official(s) deemed to be in violation of Agency policy and/or procedures may have their authority revoked, or suspended pending the completion of the aforementioned training. Should a cardholder or approving official fail to complete a required mini training session, the purchase card team will have the sole discretion to suspend or revoke his/her purchase card, convenience check, and/or approving official privileges. Purchase card policy will be revised to include this supplemental training requirement, as well as the new suspension and revocation implications.

Furthermore, purchase card training requirements will be changed from every three years to every two years for all cardholders and approving officials effective January 2014. Accordingly, the revision to CMM 13.3 currently being vetted for comment will be updated to reflect this change in training requirements.

**Recommendation 4:** Revise the CMM to more specifically address purchases requiring closer scrutiny such as gym memberships and gift cards.

**OAM Response:** OAM agrees with the recommendation that questionable purchases be subject to closer scrutiny in the revised CMM. Further, OAM will review the audit findings to ascertain the specific areas requiring closer scrutiny that will be addressed with cardholders and approving officials. OAM will review cardholder supporting documentation and converse with both the cardholder and approving office concerning the purchase of gym memberships and pursue reimbursement to the Agency where deemed appropriate by June 30, 2014.

In regards to gift card purchases, we do not consider this a purchase card issue, rather, we consider it a process issue. When managers issue gift cards, they are responsible for executing SF50 actions, as they would for any other monetary or time off award, in order to capture this data on the employee's W-2 form for tax purposes.

OAM also placed a block on 130+ additional EPA Agency-wide Merchant Category Codes (MCC) to prevent transactions considered high risk, including codes considered non-applicable for routine Agency purchase card transactions. These transactions will be declined at the point of sale. For blocked transactions, cardholders will be required to contact the Purchase Card Team to discuss and provide written supporting documentation for the proposed transaction which is reviewed by a team member. In this scenario, determinations on whether to proceed with the purchase will be subject to closer review and scrutiny by a purchase card team member.

**Recommendation 5:** Institute follow-up actions as appropriate to hold individuals accountable and recover funds used for prohibited, improper or erroneous purchases identified in this audit.

**OAM Response:** OAM agrees with this recommendation, but takes exception to the report finding regarding prohibited transactions involving third party processors (page 10). As a result of changing market conditions and best practices, OAM acknowledges CMM Chapter 13.3 contains obsolete guidance on this subject. Accordingly, the prohibition against using third party processors will be removed in the upcoming CMM policy rewrite.

With regard to holding individuals accountable for other types of prohibited, improper or erroneous purchases, OAM will conduct follow-up communications with individuals identified in the OIG draft report with a copy to the individual's approving official and branch chief. These communications will require that final written disposition of the questionable action(s) be provided to the respective program division director. Dispositions will be completed by June 30, 2014

**Recommendation 6:** Ensure biennial review weaknesses are corrected by each office's management and correctly reported in OARM's assurance letter.

**OAM Response:** OAM agrees with this recommendation and is in the process of integrating purchase card oversight into the performance measurement and management program (PMMP), in order to ensure review results are correctly reported in OARM's assurance letter. This integration and implementation will be completed by September 30, 2014.

**Recommendation 7:** Change the biennial review process to ensure that each office conducts uniform reviews including transaction testing for every cardholder.

**OAM Response:** OAM agrees with these recommendations and is in the process of integrating purchase card oversight into the performance measurement and management program, to include reviews as part of the organizational self assessments and peer reviews under the PMMP's contract management assessment program. This integration and implementation will be completed by September 30, 2014.

Having provided the above corrective actions in response to the OIG recommendations in the subject audit, OAM also intends to implement a pilot program for an automated purchase card system during FY14. The system will serve as the official cardholder electronic record including supporting documents and receipts, and will enhance internal program controls and oversight by allowing virtual program oversight audits of transaction records.

If you have any questions, please contact John Bashista, director, Office of Acquisition Management at (202) 564-4310.

Attachment

cc:

Madeline Mullen  
Nanci Gelb  
John Bashista  
Thomas Dussault  
Lisa Maass  
Ronda Boatright  
John Showman  
Steve Blankenship  
Brandon McDowell

## ***EPA's Agreed Corrective Actions and Planned Completion Dates***

No.	Corrective action(s)	Comp. Date
1	Amend the CMM to address approval and documentation requirements for purchase card actions procured through EPA's Acquisition System by warranted contracting officers.	09/30/14
2	Deploy an automated system including an electronic purchase card log.	09/30/14
3	Research, analyze and assess the viability of establishing liaisons in each of 23 offices to work closely with OAM on managing internal controls and oversight responsibilities	09/30/14
4	Assess the viability of increasing data mining through the bank and Visa to enhance internal controls and oversight.	09/30/14
5	Draft agency wide standard operating procedures for purchase cards.	Draft 03/31/14 Final 12/31/14
6	Review the audit findings to ascertain the specific areas of noncompliance. Develop mini training sessions for all cardholders and approving officials.	09/30/14
7	Depending on the severity of the violation, cardholder(s) and approving official(s) deemed to be in violation of agency policy or procedures may have their authority revoked or suspended pending the completion of the aforementioned training.	09/30/14
8	Purchase card policy will be revised to include this supplemental training requirement, as well as the new suspension and revocation implications.	Draft 09/30/14
9	Purchase card training requirements will be changed from every 3years to every 2 years effective January 2014.	completed
10	Revise the CMM so questionable purchases are subject to closer scrutiny and review the audit findings to ascertain the specific areas requiring closer scrutiny.	Draft 09/30/14
11	Review cardholder supporting documentation and converse with both the cardholder and approving office concerning the purchase of gym memberships. Pursue reimbursement to the agency where deemed appropriate.	06/30/14
12	Blocked 130+ additional Merchant Category Codes to prevent transactions considered high risk, including codes considered non-applicable for routine agency purchase card transactions.	Completed 12/10/13
13	Update the CMM to remove the prohibition against using third party processors.	Draft 09/30/14
14	Conduct follow-up to hold individuals accountable for other types of prohibited, improper or erroneous purchases identified in the audit report. Final written disposition of the questionable action(s) will be provided to the respective program division director.	06/30/14
15	Integrate purchase card oversight into the performance measurement and management program in order to ensure review results are correctly reported in OARM's assurance letter.	09/30/14
16	Include organizational self assessments and peer reviews under the contract management assessment program.	09/30/14

Source: OIG analysis of EPA's January 24, 2014 response and related communication.

## ***Distribution***

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