



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

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.