



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

IMPROVEMENT NEEDED IN INTERNAL CONTROLS FOR THE USE OF CONVENIENCE CHECKS AT THE U.S. DEPARTMENT OF THE INTERIOR

This is a revised version of the report prepared for public release.

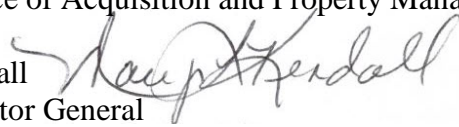


OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

MAR 26 2019

To: Megan Olsen
Director, Office of Acquisition and Property Management

From: Mary L. Kendall 
Deputy Inspector General

Subject: Final Audit Report – Improvement Needed in Internal Controls for the Use of
Convenience Checks at the U.S. Department of the Interior
Report No. 2017-ER-015-A

This report presents the results of our audit of convenience check transactions and governing internal controls at the U.S. Department of the Interior (DOI). We reviewed convenience checks written for more than \$2,500 during the first 6 months of fiscal year 2017 and found weak internal controls that created an environment vulnerable to financial mismanagement.

We make five recommendations to help the DOI and its bureaus improve the management and oversight of convenience checks (as part of the DOI charge card program). Based on the Office of Acquisition and Property Management's response to our draft report, we consider all five recommendations to be resolved but not implemented.

If you have any questions about this report, please call me at 202-208-5745.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

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Results in Brief

We audited U.S. Department of the Interior (DOI) convenience check transaction data to determine whether (1) the DOI or its bureaus made transactions that were illegal, improper, or erroneous and (2) the existing internal controls detected and prevented illegal, improper, or erroneous transactions. Specifically, we reviewed convenience checks written for more than \$2,500 during the first 6 months of fiscal year 2017—a quantity of 90 transactions totaling \$286,318.

Under the DOI's charge card program, use of convenience checks may be authorized when a vendor does not accept the charge card. During the timeframe audited, 658 employees had authority to write convenience checks, and 5,255 checks were written, totaling approximately \$3 million plus an additional \$56,447 in transaction fees.

Through our data analysis we found the following internal control problems:

- Missing documentation and reviews/approvals
- Limit exceeded for service-related purchases
- Declined convenience checks
- Split purchase

We provide five recommendations to help the DOI and its bureaus improve the management and oversight of the charge card program, specifically related to the use of convenience checks. Based on the response to our draft report, we consider all five recommendations resolved but not implemented and will refer them to the Assistant Secretary for Policy, Management and Budget for tracking.

Introduction

Objective

Our objectives were to:

1. Determine whether the U.S. Department of the Interior (DOI) or its bureaus made convenience check transactions that were illegal, improper, or erroneous
2. Determine whether the DOI's and bureaus' internal controls detected and prevented illegal, improper, or erroneous convenience check transactions from occurring

Appendix 1 provides our scope and methodology. Appendix 2 lists the sites we contacted during our audit.

Background

We participated in a Governmentwide initiative by the Council of the Inspectors General on Integrity and Efficiency to examine risks associated with U.S. Government purchase card transactions. When we identified the universe of purchase card transactions for that audit, we separated out the convenience check transactions and performed separate analyses on those data. This report presents our findings related to DOI convenience check data; our purchase card findings are in a separate report (Report No. 2017-ER-015).

We also conducted this audit to comply with the Government Charge Card Abuse Prevention Act of 2012, which requires Offices of Inspector General to periodically assess risk and perform audits of agency charge card programs.

Governing Laws and Regulations

Executive agencies, including the DOI, use convenience checks (as part of their charge card programs) to buy goods and services. Multiple laws, regulations, and executive guidance memoranda govern the use of convenience checks by executive branch agencies, primarily:

- The Government Charge Card Abuse Prevention Act of 2012 (Pub. L. No. 112-194)
- Office of Management and Budget (OMB) Memorandum M-13-21 (dated September 6, 2013)
- OMB Circular No. A-123, Appendix B, Revised (dated January 15, 2009)

- The Federal Acquisition Regulation (FAR), part 13, “Simplified Acquisition Procedures”

DOI Use of Convenience Checks

During our audit timeframe, the DOI had an Integrated Charge Card Program (ICCP), which combined multiple business lines—purchase, travel, and fleet—in a single account.¹ Convenience checks were a feature of the ICCP. At the discretion of their supervisors, cardholders with purchase line accounts could also be authorized to write convenience checks for micropurchases of supplies and services when a vendor did not accept charge cards. At the time of our audit, micropurchase limits were \$3,500 for supplies, \$2,500 for services, and \$2,000 for construction.

The Office of Acquisition and Property Management (PAM) oversees and develops policy for the DOI charge card program, while each bureau has an agency/organization program coordinator who serves as the primary liaison. Approving officials oversee designated cardholders and review and sign bank statements to approve transactions. Charge card and convenience check transactions are comingled on each monthly bank statement. The *DOI Integrated Charge Card Program Policy Manual*, dated August 27, 2015, details the policies and procedures for the ICCP and describes the responsibilities of those who administer and manage the program.

All transactions completed using convenience checks are billed directly to the Government. The ICCP policy manual notes that convenience checks should only be used when necessary because a transaction fee is incurred each time a check is written (currently that fee is 1.9 percent of the amount of the check). During our audit, we learned that the DOI significantly reduced its use of convenience checks between fiscal year (FY) 2010 and FY 2016, beyond the 5 percent reduction required by the General Services Administration (GSA) during that time period (see Appendix 3 for more information).

At the time of our audit, J.P. Morgan Chase Bank supported the ICCP, including the use of convenience checks, through a task order under the GSA’s SmartPay 2 master contracts.

Audit Focus

We reviewed convenience check transactions and internal control processes for DOI bureaus² for the first 6 months of FY 2017. During that timeframe, 658 DOI cardholders had authority to write convenience checks, and 5,255 checks were

¹ The ICCP was the charge card program in place at the time of this audit, and the processes we describe in this report are specific to the ICCP. The task order for the ICCP expired on November 29, 2018.

² In this report, the term “bureaus” is used to refer to the DOI components, including bureaus, offices, services, and other units.

written, totaling approximately \$3 million in purchases plus \$56,447 in transaction fees. See Appendix 4 for totals by bureau.

We obtained the population of 5,255 convenience check purchases and selected a judgmental sample of all transactions over \$2,500, the threshold for service-related purchases. Our sample consisted of 90 transactions totaling \$286,318.

The sample included transactions from seven bureaus (see Appendix 5 for the list of bureaus). We conducted limited interviews during our audit.

Findings

Through our data analysis we found internal control problems that have created an environment vulnerable to financial mismanagement.

Specifically, we identified the following problems:

- Missing documentation and reviews/approvals
- Limit exceeded for service-related purchases
- Declined convenience checks
- Split purchase

Missing Documentation and Reviews/Approvals

Federal laws and regulations, as well as the ICCP policy manual, require cardholders to obtain and keep documentation for convenience check transactions. In the 90 transactions reviewed, we found that 14 did not have receipts, 15 did not have the required Internal Revenue Service (IRS) Form 1099,³ and 8 were not reviewed by the approving official. See Appendix 6 for a breakdown by bureau.

The Government Charge Card Abuse Prevention Act of 2012 and OMB Circular No. A-123, Appendix B, lay out requirements for documentation of receipt and acceptance of goods and services, and review and approval of documentation. GSA SmartPay Bulletin No. 013 (dated September 14, 2010) and 26 C.F.R. § 1.6041-1 state that agencies are responsible for Form 1099 reporting on convenience checks; the DOI's ICCP policy does not address Form 1099 reporting requirements.

Complete supporting documentation and approving official review/approval of transactions are critical controls.

³ Under 26 C.F.R. § 1.6041-1, certain payments for goods and services paid by convenience check are reported to the IRS using this Federal form.

Recommendations

We recommend that PAM:

1. Strengthen controls to ensure approving officials review transactions and verify supporting documentation
2. Establish and implement policy on the requirements for completing IRS Form 1099 when using a convenience check to pay for services

Limit Exceeded for Service-Related Purchases

In the 90 transactions we reviewed, 40 were payments for services that exceeded the \$2,500 micropurchase limit established in FAR § 2.101. We noted that 22 of the 40 checks were written by cardholders at the Bureau of Reclamation (BOR). (See Appendix 6 for further breakdown by bureau.)

Examples of improper or erroneous service-related purchases paid by check include the following:

- A Bureau of Indian Affairs cardholder paid a company \$3,000 via convenience check for investigative services related to an Archaeological Resources Protection Act violation on an Alaska Native allotment.
- A Bureau of Land Management cardholder paid a biological consultant \$3,000 via convenience check for “daily mouse surveys.”
- A U.S. Fish and Wildlife Service cardholder paid a vendor \$3,500 via convenience check to repair garage doors.
- A National Park Service cardholder paid a performer \$2,930 via convenience check to portray Eleanor Roosevelt at the Ulysses S. Grant National Historic Site.
- A Bureau of Ocean Energy Management cardholder paid a vendor \$3,472 via convenience check to install HDMI cables, move data ports, and install an electrical outlet.
- A BOR cardholder paid a vendor \$3,480 via convenience check to build a shooting range.

We noted that some service-related purchases over \$2,500 were payments to “learned professionals,” which are exempt from the micropurchase limit under FAR § 13.2 and DOI Acquisition, Assistance, and Asset Policy No. 0083 when

payment is made with a charge card. The exemption does not apply, however, when payment is made by convenience check.

Further, the ICCP policy states that internal controls must exist to prevent or promptly detect a cardholder who makes improper transactions, which includes spending over authorized limits. During our audit timeframe, PAM could run customized reports as needed in PaymentNet (J.P. Morgan's Web-based system for reviewing charge card activity), but did not run reports on convenience check transactions over the micropurchase limits.

Exceeding the designated service-related micropurchase limit could prevent competitive contract bidding for service-related work and lead to excessive Government payments for a service.

Recommendations

We recommend that PAM:

3. Restate and ensure acknowledgment of existing policy on the proper use and limitations of convenience checks
4. Generate monthly system reports of transactions over \$2,000 (to identify those over the micropurchase limits for supplies, services, and construction), and make these reports available for management review

Declined Convenience Checks

Limits on charge card accounts include single-purchase and cycle limits. The single-purchase limit is the maximum dollar amount for an individual transaction, and the cycle limit is the maximum dollar amount authorized to be spent within the billing cycle (the time period between the dates that account statements are issued). Convenience checks are also restricted to certain merchant category codes (MCCs), which are account codes used to classify a business by the type of goods or services it provides.

In the 90 transactions we reviewed, we found a BOR cardholder who wrote four convenience checks for \$3,500 each (two in October 2016 and two in February 2017). In each of those months, in addition to writing these checks, the cardholder made other purchases by charge card. The totals exceeded the cardholder's cycle limit of \$10,000, so J.P. Morgan Chase Bank declined payment of the four convenience checks for insufficient funds. The cardholder then wrote replacement convenience checks in the following cycle to pay the vendor and the resulting bank service fees of \$140 (\$35 for each check) for the declined checks.

Based on these findings in the sample, we expanded our review to the universe of convenience check purchases (5,255), and we found 22 declined transactions (which includes the four BOR checks noted above). The bank declined these checks—which totaled approximately \$38,571—because the cardholders’ single-purchase or cycle limit was exceeded or the attempted purchase was at a business with an unauthorized MCC. We did not review the supporting documentation for the transactions outside of our sample, so we did not identify any resulting bank service fees for those transactions.

OMB Circular No. A-123, Appendix B, and the ICCP policy require sufficient funds be available to cover transactions when convenience checks are used. The ICCP policy further requires internal controls that prevent or detect improper transactions, such as spending over authorized limits.

Failure of cardholders to ensure that purchases are within their authorized single-purchase or cycle limit can result in additional costs via service fees assessed against the Government.

Recommendation

We recommend that PAM:

5. Restate and ensure acknowledgment of the ICCP and OMB requirements to document purchases and confirm the availability of funds based on single-purchase and cycle limits prior to making a purchase with a convenience check

Split Purchase

A split purchase is the breaking of a purchase into two or more transactions on the same day and with the same vendor to circumvent micropurchase limits.

We found one instance in our sample of convenience checks used to make a split purchase, but it was initiated by a warranted contracting officer and thus especially noteworthy.

We found a [REDACTED] cardholder who wrote two convenience checks that resulted in a split purchase. Specifically, the documentation we reviewed showed that a [REDACTED] warranted contracting officer instructed a cardholder with a single-purchase limit of \$3,500 to pay a \$4,684 invoice with the Government charge card. The vendor did not accept charge cards, so the cardholder wrote two convenience checks to cover the transaction (one check for \$3,000 and another for \$1,684), creating a split purchase.

The ICCP policy requires internal controls that prevent or detect improper transactions, such as split purchases. In addition, FAR § 13.003(c) prohibits

splitting a purchase into more than one transaction to avoid the requirement to obtain competitive bids for purchases over the micropurchase limit or to avoid other established credit limits. Contracting officers attest that they have completed the required training on the multiple laws and regulations governing the use of convenience checks by executive branch agencies, including micropurchase limits.

The failure to detect a split purchase that was initiated by a warranted contracting officer indicates a gap in understanding and signals that further training should be implemented for all employees involved in the ICCP. Even though this was one incident, we believe this action should be noted. Because this does not appear to be a systemic issue, we are not making a recommendation.

Conclusion and Recommendations

Conclusion

We found areas of concern associated with internal controls over convenience checks. We noted that an absence of supporting documentation, payments exceeding the micropurchase limits, and declined checks are indicators that the DOI and its bureaus may not have control over convenience check activities and are not in compliance with governing policies, laws, and regulations.

We identified areas where additional guidance or restatement of existing guidance is needed to strengthen the internal controls over convenience check activities. While our review involved a small sample of the total universe of purchase transactions at the DOI, our findings highlight issues that may be applicable across the ICCP.

We offer five recommendations to help the DOI and its bureaus make needed changes.

Recommendations Summary

We issued a draft version of this report for PAM to review and respond. Based on the response, we made minor revisions to the report and we consider all five recommendations resolved but not implemented. We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget to track implementation. See Appendix 7 for the full text of PAM's response; Appendix 8 lists the status of each recommendation.

We recommend that PAM:

1. Strengthen controls to ensure approving officials review transactions and verify supporting documentation

PAM Response: PAM concurred with this recommendation and will send a memorandum to check writers to reiterate current policy about documenting purchases with receipts and supervisory review requirements. PAM provided a target completion date of June 28, 2019.

OIG Reply: Based on the response, we consider Recommendation 1 resolved but not implemented.

2. Establish and implement policy on the requirements for completing IRS Form 1099 when using a convenience check to pay for services

PAM Response: PAM concurred with this recommendation and will issue guidance to check writers on the requirements related to IRS Form 1099. PAM provided a target completion date of June 28, 2019.

OIG Reply: Based on the response, we consider Recommendation 2 resolved but not implemented.

3. Restate and ensure acknowledgment of existing policy on the proper use and limitations of convenience checks

PAM Response: PAM partially concurred with this recommendation and will send a memorandum to check writers to reiterate current policy about proper use and limitations of convenience checks, with specific emphasis on tracking requests for purchases, maintaining receipts, and review by approving officials. PAM did not concur that new guidance is needed in this area, stating that policy already exists (the ICCP policy). PAM provided a target completion date of June 28, 2019.

OIG Reply: Based on the response, we revised our draft recommendation and consider Recommendation 3 resolved but not implemented.

4. Generate monthly system reports of transactions over \$2,000 (to identify those over the micropurchase limits for supplies, services, and construction), and make these reports available for management review

PAM Response: PAM concurred with this recommendation and will generate reports on transactions over \$2,000 and require bureaus to review them monthly to ensure compliance with applicable laws. PAM provided a target completion date of June 28, 2019.

OIG Reply: Based on the response, we consider Recommendation 4 resolved but not implemented.

5. Restate and ensure acknowledgment of the ICCP and OMB requirements to document purchases and confirm the availability of funds based on single-purchase and cycle limits prior to making a purchase with a convenience check

PAM Response: PAM partially concurred with this recommendation and will send a memorandum to check writers to reiterate current policy and the importance of being aware of single-purchase and cycle limits prior to writing a check. PAM did not concur that new guidance is needed in this area, stating that policy already exists. PAM provided a target completion date of June 28, 2019.

OIG Reply: Based on the response, we revised our draft recommendation and consider Recommendation 5 resolved but not implemented.

Appendix I: Scope and Methodology

Scope

The scope of our audit included convenience check transactions over \$2,500 for 12 bureaus and offices within the U.S. Department of the Interior (DOI) during the first 6 months of fiscal year 2017. The Bureau of Safety and Environmental Enforcement (BSEE), the Office of the Secretary (OS), the Office of Surface Mining Reclamation and Enforcement (OSMRE), the Office of the Special Trustee for American Indians (OST), and the U.S. Geological Survey (USGS) did not have any convenience checks over \$2,500 during the scope of our work. Therefore, no BSEE, OS, OSMRE, OST, or USGS transactions were reviewed, reducing the number of bureaus in our sample to seven (see Appendix 5 for a list of bureaus in the sample).

Methodology

We conducted this audit 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's objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether existing internal controls at the DOI and the bureaus were designed to provide reasonable assurance that illegal, improper, or erroneous convenience check transactions would be prevented or detected in a normal course of business, we obtained an understanding of applicable DOI and bureau policies and procedures and the related internal controls. We then assessed those internal controls by performing detailed tests of transactions. We relied on computer-generated data and emails from bureaus providing supporting documentation.

We did not visit sites, and we also did not review the supporting documentation for transactions in our expanded review that was outside of our sample. We conducted limited interviews with bureau personnel. The agency/organization program coordinators contacted individual cardholders with related questions and reported back to us.

To accomplish the audit's objectives, we:

- Gathered and reviewed general, administrative, and background information to provide a working knowledge of the DOI's Integrated Charge Card Program (ICCP).

- Obtained and reviewed relevant audit reports, as well as applicable laws and regulations.
- Selected a judgmental sample of all convenience check transactions over \$2,500 from the universe of transactions. Convenience checks over \$2,500 were selected because \$2,500 is the threshold for service-related purchases. The sample contained 90 convenience check transactions, totaling \$286,318.
- Reviewed supporting documentation for sampled transactions for compliance with applicable laws, regulations, and policies.
- Performed test of controls relevant to our audit objective. Key internal control activities we tested included the following:
 - *Compliance with purchasing requirements*—Purchases violating applicable laws and regulations, specifically: (1) purchase split into two or more transactions to circumvent single-purchase limits, (2) purchases over the \$2,500 service-related threshold, and (3) convenience checks written with insufficient funds to cover the checks.
 - *Adequate supporting documentation*—(1) Cardholders obtaining and maintaining invoices or other documentation that support their purchases and provide a basis for reconciling purchases, and (2) cardholders ensuring adequate funds are available at the time of purchase.
 - *Timely recording of transactions and events*—Prompt recording, reconciliation, and review of transactions.

To determine whether convenience check expenditures were made in compliance with applicable laws and regulations, we reviewed the Federal Acquisition Regulation, U.S. General Services Administration and Office of Management and Budget memoranda, the DOI's acquisition regulation, and DOI policies and procedures. We performed tests of Federal and agency acquisition requirements related to the convenience check procurement process.

We used data from J.P. Morgan Chase Bank's PaymentNet and the DOI's Financial and Business Management System (FBMS) in conducting this audit. The PaymentNet data for purchase transactions were transferred into the FBMS. The controls over the FBMS and purchase transactions are evaluated as part of the annual DOI financial statement audits conducted by KPMG with oversight by the Office of Inspector General. In addition, under the General Services Administration's SmartPay2 contract, PaymentNet was subject to Government certification and accreditation assessments. Consequently, we believe that the data from these systems were sufficiently reliable given our audit objectives.

Appendix 2: Sites Contacted

Bureau of Indian Affairs

12220 Sunrise Valley Drive, 4th Floor
Reston, VA 20191

Bureau of Indian Education

12220 Sunrise Valley Drive, 4th Floor
Reston, VA 20191

Bureau of Land Management

Denver Federal Center, Building 50
P.O. Box 25047
Denver, CO 80225-0047

Bureau of Ocean Energy Management

1849 C Street, NW
Washington, DC 20240

Bureau of Reclamation

Denver Federal Center
6th and Kipling, Building 67
Denver, CO 80225

National Park Service

7333 West Jefferson Avenue
Lakewood, CO 80235

Office of Acquisition and Policy Management

1849 C Street, NW
Washington, DC 20240

U.S. Fish and Wildlife Service

Financial Operations Branch
7333 West Jefferson Avenue, Suite 300
Lakewood, CO 80235

Interior Business Center

Charge Card Support Center
7301 West Mansfield Avenue
Denver, CO 80235

Appendix 3: DOI Convenience Check Usage Reduction

On August 17, 2010, the Office of Management and Budget (OMB) and the General Services Administration (GSA) issued GSA Smart Bulletin No. 012, which required agencies to reduce the use of convenience checks by 5 percent for fiscal year (FY) 2010 and an additional 5 percent per year for each subsequent year through FY 2015. This reduction applied to both the quantity of checks written and the total dollar amount spent. As of May 17, 2016, the GSA extended Smart Bulletin No. 12 until superseded to encourage the continued reduction of convenience check usage.

According to GSA records, from FY 2010 to FY 2016 the U.S. Department of the Interior (DOI) was able to reduce convenience check dollars by 51 percent, or \$8,841,630 (from \$17,415,001 to \$8,573,371), which also resulted in a reduction in associated transaction fees. The DOI reduced the number of convenience checks written by 59 percent, or 20,262 (from 34,587 to 14,325), during the same timeframe. See Figure 1 for a breakdown by fiscal year.

Fiscal Year	Total Check Volume	No. of Checks
2010	\$17,415,001	34,587
2011	15,806,219	31,306
2012	12,892,662	24,458
2013	10,764,318	19,778
2014	8,947,881	15,793
2015	9,285,057	15,818
2016	8,573,371	14,325
Total	\$83,684,509	156,065

Figure 1. DOI convenience check usage, by fiscal year.

The OMB and the GSA have acknowledged that maximizing card use while reducing check use is a hallmark of a well-managed charge card program. We encourage the DOI to extend its efforts to reduce convenience check usage and thereby reduce convenience check fees.

Appendix 4: Convenience Check Writers and Check Totals, by Bureau

This table summarizes check writers and check totals for 12 bureaus and offices within the U.S. Department of the Interior during the first 6 months of fiscal year 2017.

Bureau	No. of Check Writers as of March 31, 2017	No. of Checks Written	Value of Checks Written	Convenience Check Fees
BIA	118	667	\$318,341	\$6,049
BIE	52	365	150,774	2,865
BLM	178	1,500	1,059,690	20,135
BOEM	0	36	20,781	395
BOR	24	630	443,286	8,426
BSEE	2	16	8,708	165
FWS	54	900	273,442	5,196
NPS	40	348	190,063	3,612
OS	1	25	18,439	350
OSMRE	2	12	8,790	167
OST	0	35	7,976	152
USGS	187	721	470,293	8,936
Total	658	5,255	\$2,970,582	\$56,447

BIA = Bureau of Indian Affairs

BIE = Bureau of Indian Education

BLM = Bureau of Land Management

BOEM = Bureau of Ocean Energy Management

BOR = Bureau of Reclamation

BSEE = Bureau of Safety and Environmental Enforcement

FWS = U.S. Fish and Wildlife Service

NPS = National Park Service

OS = Office of the Secretary

OSMRE = Office of Surface Mining Reclamation and Enforcement

OST = Office of the Special Trustee for American Indians

USGS = U.S. Geological Survey

Appendix 5: Bureaus in Our Sample

Our sample included transactions from the following U.S. Department of the Interior (DOI) bureaus:

- Bureau of Indian Affairs
- Bureau of Indian Education
- Bureau of Land Management
- Bureau of Ocean Energy Management
- Bureau of Reclamation
- National Park Service
- U.S. Fish and Wildlife Service

The Bureau of Safety and Environmental Enforcement (BSEE), the Office of the Secretary (OS), the Office of Surface Mining Reclamation and Enforcement (OSMRE), the Office of the Special Trustee for American Indians (OST), and the U.S. Geological Survey (USGS) did not have any convenience check transactions identified in the judgmental sample. Therefore, no BSEE, OS, OSMRE, OST, or USGS transactions were reviewed, reducing the number of bureaus in our sample to seven.

Appendix 6: Convenience Check Transaction Findings, by Bureau

Transaction Test	BIA	BIE	BLM	BOEM	BOR	BSEE	FWS	NPS	OS	OSMRE	OST	USGS	Total
Sample size	6	3	32	2	33	0	12	2	0	0	0	0	90
Missing receipt	0	1	12	0	1	0	0	0	0	0	0	0	14
Written for services and missing IRS Form 1099	0	0	3	0	3	0	8	1	0	0	0	0	15
Missing approving official review	1	0	7	0	0	0	0	0	0	0	0	0	8
Written for services over \$2,500	3	0	6	1	22	0	7	1	0	0	0	0	40
Written with insufficient funds	0	0	0	0	4	0	0	0	0	0	0	0	4
Written for a split purchase	0	0	0	0	1	0	0	0	0	0	0	0	1
Deficiencies in our sample*	4	1	28	1	31	0	15	2	0	0	0	0	82

* Some transactions had multiple deficiencies.

BIA = Bureau of Indian Affairs

BIE = Bureau of Indian Education

BLM = Bureau of Land Management

BOEM = Bureau of Ocean Energy Management

BOR = Bureau of Reclamation

BSEE = Bureau of Safety and Environmental Enforcement

FWS = U.S. Fish and Wildlife Service

NPS = National Park Service

OS = Office of the Secretary

OSMRE = Office of Surface Mining Reclamation and Enforcement

OST = Office of the Special Trustee for American Indians

USGS = U.S. Geological Survey

Appendix 7: Response to Draft Report

The Office of Acquisition and Property Management's response to our draft report follows on page 20.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

FEB 22 2019

Memorandum

To: Mary L. Kendall
Deputy Inspector General

From: Megan Olsen, Director
Office of Acquisition and Property Management

Subject: Response to Draft Report – Improvement Needed in Internal Controls for the Use of Convenience Checks at the U.S. Department of the Interior (Report No. 2017-ER-015-A)

Thank you for providing us the opportunity to respond to the subject draft evaluation report. The report outlines several findings and communicates five recommendations. The Department of the Interior's response to each of the recommendations, including planned corrective actions, is outlined below. In the section after our responses and corrective action plans, we are also providing general comments on the draft report for your consideration.

Recommendation 1. Strengthen controls to ensure approving officials review transactions and verify supporting documentation.

Response: Concur. DOI will send a reminder memo to check writers to reiterate current policy guidance related to documenting purchases with receipts, and supervisory review requirements.

Target Date: June 28, 2019

Responsible Official: Megan Olsen

Recommendation 2. Establish and implement policy on the requirements for completing IRS Form 1099 when using a convenience check to pay for services.

Response: Concur. DOI will issue guidance to check writers on the requirements related to IRS Form 1099.

Target Date: June 28, 2019

Responsible Official: Megan Olsen

Recommendation 3. Provide updated guidance on proper use and limitations of convenience checks.

Response: Partially Concur. DOI will send a memo to check writers to reiterate current policy guidance related to proper use and limitations of convenience checks, with specific emphasis on tracking requests for purchases, maintaining receipts, and approving official review.

DOI does not concur that new guidance is needed in this area, as current policy exists.

Target Date: June 28, 2019

Responsible Official: Megan Olsen

Recommendation 4. Generate monthly system reports of transactions over \$2,000 (to identify those over the micro-purchase limits for supplies, services, and construction), and make these reports available for management review.

Response: Concur. DOI will generate reports on transactions over \$2,000 and require bureaus to review them monthly to ensure compliance with the Service Contract Act and the Davis-Bacon Act.

Target Date: June 28, 2019

Responsible Official: Megan Olsen

Recommendation 5. Establish procedures for cardholders to document purchases and confirm the availability of funds based on single-purchase and cycle limits prior to making a purchase with a convenience check.

Response: Partially Concur. DOI will send a memo to check writers to reiterate current policy guidance related to the importance of being aware of single-purchase and cycle limits prior to writing a check.

DOI does not concur that new guidance is needed in this area, as current policy exists.

Target Date: June 28, 2019

Responsible Official: Megan Olsen

General Comments on the Draft Report

1. DOI does not require the use of a requisition prior to purchase card or convenience check transactions. Therefore, we request that the Office of Inspector General (OIG) consider revising language in the section titled "Missing Documentation and Reviews / Approvals," and throughout the report, to reflect the fact that since requisitions are not required, their absence does not constitute an anomaly or finding.

2. DOI concurs with the benefits of providing card holders with additional guidance on funds availability, purchasing, and cycle limits. However, DOI does not believe that the benefits of requiring documentation of these items for all purchases would be of best value to the Department.

If you have questions or require additional information, please contact me at (202) [REDACTED] or [REDACTED]@ios.doi.gov.

cc: Director, Office of Financial Management
Attention: Chief, Division of Internal Control and Audit Follow-up

Appendix 8: Status of Recommendations

Recommendations	Status	Action Required
I – 5	Resolved but not implemented	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget to track their implementation.

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