



UNITED STATES CAPITOL POLICE OFFICE OF INSPECTOR GENERAL

Audit of USCP Purchase Card Program

**Report Number OIG-2009-05
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UNITED STATES CAPITOL POLICE
WASHINGTON, DC 20003

INSPECTOR GENERAL

PREFACE

The Office of Inspector General (OIG) prepared this report pursuant to the Inspector General Act of 1978, as amended. It is one of a series of audit, reviews, and investigative and special reports prepared by OIG periodically as part of its oversight responsibility with the respect to the United States Capitol Police to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the office or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

Carl W. Hoecker
Inspector General

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Abbreviations

Budget Object Code	BOC
Credit Card Authorization	CCA
Chief Financial Officer	CFO
Credit Card Payment	CCP
Federal Managers Financial Integrity Act of 1982	FMFIA
Fiscal Year	FY
General Services Administration	GSA
Government Accountability Office	GAO
Government Auditing Standards	GAS
Itemized Request	IQ
Office of Financial Management	OFM
Office of Inspector General	OIG
Office of Information Systems	OIS
Office of Management and Budget	OMB
Purchase Card	PCard
President's Council on Integrity & Efficiency	PCIE
Standard Operating Procedure	SOP
United States Capitol Police	USCP or Department

EXECUTIVE SUMMARY

In accordance with our Fiscal Year (FY) 2009 annual plan, the Office of Inspector General (OIG) conducted a performance audit of the United States Capitol Police's (USCP or Department) Purchase Card Program for a 15-month period beginning October 1, 2007 through December 31, 2008, with a total purchase value of \$3,512,149. Our objectives were to determine whether (1) existing controls were designed to provide reasonable assurance that improper purchases would be prevented or detected in the normal course of business, (2) expenditures were made in compliance with laws and regulations, as well as Department policies and procedures, and (3) purchases were made for a reasonable cost and a valid government need.

The Department's internal controls were not adequate to provide reasonable assurance that improper purchase card transactions would be prevented or detected on a timely basis in the normal course of business. We found that guidance and training materials were outdated; and cardholders, approving officials, and certifiers either had not received initial purchase card training or subsequent refresher training. We also noted that the Department lacked controls requiring a review of credit worthiness of individuals before providing a purchase card. Furthermore, we identified little monitoring or oversight activity directed at assessing program results, evaluating internal controls, or identifying the extent of potentially fraudulent, improper, and abusive or questionable purchases.

The inadequate internal controls resulted in the identification of numerous instances of noncompliance. Specifically, we found that (1) cardholders did not obtain advance approval of purchases before placing an order; (2) cardholders did not meet timeliness standards for recording, reconciling, and reviewing transactions; (3) payments for purchase card transactions often did not have key supporting documents; and (4) in numerous instances, cardholders did not always enter the correct vendors and budget object codes (BOC) in the official accounting system.

Accordingly, we classified approximately \$180,000 as questionable. These included prohibitive use of the purchase cards such as micro-purchases that exceeded the maximum amount of \$3,000 (split purchase), a lack of supporting documentation for purchases, and purchases for which the cardholder did not demonstrate a valid government need. For example, we noted a cardholder used their purchase card to pay about \$6,000 for property certifications and membership dues to the National Property Managers Association without evidence of a waiver, which is required by Department guidance. *Standards for Internal Control in the Federal Government* also requires that all transactions and other significant events be clearly documented and readily available for examination. Because we tested only a small portion of the transactions that appeared to have a higher risk of fraud, waste, or abuse; there may be other improper, wasteful, and questionable purchases in the remaining untested transactions and these results have not been extrapolated.

Thus, OIG is recommending that the Department (1) update its policies and procedures to address the internal control deficiencies, (2) mandate training and refresher training, and clearly define roles and responsibilities for all Purchase Card Program participants, (3) develop and implement procedures to regularly assess and monitor Purchase Card Program objectives and compliance. Implementation of an effective purchase card monitoring system by the Department will assure that the risk of fraud, waste, and abuse are at acceptable levels.

According to the Chief Financial Officer (CFO) and the then Purchase Card Coordinator, the Department has revised purchase card procedures coinciding with a new purchase card vendor during FY 2009. We understand that as part of these revised procedures some of the deficiencies identified in our audit may have been addressed. However, the scope of this performance audit did not include testing of any revised procedures. On June 3, 2009, OIG conducted an exit conference with Department officials.

BACKGROUND

The Purchase Card (PCard) is a streamlined procurement method established to save time and administrative costs. It empowers non-procurement employees with the authority to make official buys within their delegated limits. Within the Federal Government, the PCard is the preferred method to purchase and pay for micro-purchases under \$3,000. A single purchase refers to a single purchase transaction that can consist of one or more items. According to the Department guide, the PCard is specially designed for Government use for authorized purchases of supplies and services within the cardholder's authorized limits.

Although not required to follow executive branch guidance, USCP follows to the extent practical, best practices, such as the Federal Managers Financial Integrity Act of 1982, (FMFIA or the Act), Office of Management and Budget, (OMB) guidance, and the Government Accountability Office (GAO) guidelines, in the development of its policies and procedures. FMFIA amended the Accounting and Auditing Act of 1950 and set forth a series of requirements governing Federal agency's compliance over internal accounting and administrative controls. FMFIA not only places the principal responsibility for compliance with its provisions on Federal agencies but also provides that OMB develop guidelines and regulations, as well as provide continuing assistance to and oversight of the implementation of the operative provisions of the Act. OMB Circular A-123, *Managements Responsibility for Internal Control*, reemphasizes the many responsibilities under law and policy to appropriately establish Department standards of internal control. Specifically, OMB Circular A-123, Appendix B, *Improving Management of Government Charge Card Programs*, identifies specific management responsibilities and cardholder responsibilities.

The Department's Office of Financial Management (OFM), Standard Operating Procedure (SOP), [REDACTED] and [REDACTED] became effective in June 2006 and February 2005, respectively.

Additionally, OFM has desk procedures, [REDACTED] (May 2005), which is the implementation tool for the aforementioned SOP's.

The General Services Administration (GSA) runs the Purchase Card Program for the Federal government. Federal agencies can select a Purchase Card provider from several banks that are members of the GSA SmartPay program. The Department selected Citibank as its purchase card provider.

OFM has primary oversight responsibility for the Purchase Card Program and has appointed a program coordinator to administer the program. For FY 2008 and beginning in FY 2009, the Department had 24 and 21 purchase cardholders, respectively, with total purchases of approximately \$3.5 million during the 15-month audit period.

OBJECTIVES, SCOPE, AND METHODOLOGY

On behalf of OIG, Cotton & Company LLP conducted performance audit procedures of the Department's Purchase Card Program to determine whether (1) existing controls were designed to provide reasonable assurance that improper purchases would be prevented or detected in the normal course of business, (2) expenditures were made in compliance with laws and regulations, as well as Department policies and procedures, and (3) purchases were made for a reasonable cost and a valid government need. Our scope included the Department's Purchase Card Program transactions recorded in the accounting system for the 15-month period beginning October 1, 2007 through December 31, 2008, with a total purchase value of \$3,512,149.

To accomplish our objective, we reviewed operational and program data and applicable Federal laws and Department directives; written policies; and interviewed a selected sample of cardholders and approving officials regarding the Department's Purchase Card Program. To gain an understanding of the program, we developed distinct questionnaires to interview senior officials, program coordinators, approving officials and cardholders. We based these interview questionnaires on GAO's and the President's Council on Integrity and Efficiency's (PCIE)¹ guidance to assist in determining the general awareness of cardholders regarding purchase card policies, procedures, and practices.

We obtained credit card transactions for the audit period from the official accounting system and sorted credit card payments (CCP) by transaction code. We further sorted this data to segregate the data by organizational codes. Table 1 presents purchase card activity by organization during the 15-month audit period as recorded in the accounting system. We selected the largest monthly

¹ The PCIE is now the Council of Inspectors General on Integrity and Efficiency (CIGIE) and was statutorily established as an independent entity within the executive branch by the "The Inspector General Reform Act of 2008," P.L. 110-409.

transactions and the corresponding purchase card statements for testing. In total, we tested 51 monthly statements containing 932 transactions, with an audit value of \$754,416.

Table 1 – Purchase Card Activity by Organization and Transactions Tested

Organization	PCard Amount	Statements Tested	Transactions Tested	Dollars Tested
SSB	\$915,883	9	210	\$162,372
VMD	\$654,452	8	235	\$129,991
OIS	\$303,191	3	34	\$75,173
PSB	\$268,261	3	68	\$40,837
OHR	\$230,220	4	48	\$62,995
OSB	\$227,464	4	138	\$83,100
PAMD-OFL	\$192,538	3	60	\$38,299
OFM	\$127,554	8	36	\$34,773
OFL	\$112,577	2	28	\$46,597
TSB	\$97,583	2	20	\$16,353
USB	\$97,509	2	22	\$19,078
POHS	\$82,436	2	27	\$38,970
OEC	\$45,538	1	6	\$5,878
CAO	\$33,523	0	0	0
OIG	\$29,202	0	0	0
OGC	\$23,446	0	0	0
COP	\$18,152	0	0	0
OPR	\$17,421	0	0	0
COO	\$17,348	0	0	0
OFL	\$13,126	0	0	0
PI	\$2,358	0	0	0
HAZ	\$1,792	0	0	0
OPOL	\$575	0	0	0
Totals	\$3,512,149	51	932	\$754,416

Source: Testing and non-statistical analysis of Department purchase card transaction files for the 15-month audit period.
Amounts may not total due to rounding.

While the Department, as a legislative branch agency, is not required to comply with executive branch guidance, the Department used these principles as best practices in the development of its policies and procedures. Thus, we used the Federal financial management and accountability best practices including the Act, OMB Circular A-123 and GAO Standards of Internal Control as criteria. OMB Circular A-123 requires each Federal agency to:

1. Develop and implement policies and procedures for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable reporting, and compliance with applicable laws and regulations.
2. Develop and maintain a purchase card management plan.
3. Develop a mandatory training program to educate new appointees on the requirements for charge card programs.
4. Develop a refresher course in card management required at a minimum of every three years.
5. Develop a training course for other program participants, such as the Department Program Coordinator, Approving Officials and other designated accountable officials.

6. Perform risk assessments over program controls, policies and practices, and implement appropriate safeguards based on those risks.
7. Maintain and report data and performance metrics related to charge card management.

We conducted fieldwork in Washington, D.C., from February 2009 through April 2009. We conducted this performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. On June 3, 2009, we conducted an exit conference with Department officials and incorporated applicable comments.

RESULTS

The Department's internal controls were inadequate. As a result, we noted numerous noncompliance issues and questionable transactions.

Inadequate Internal Controls

The Department's internal controls were not adequate to provide reasonable assurance that improper purchase card or convenience check purchases would be prevented or detected on a timely basis in the normal course of business. We found that (1) Department guidance and training materials were outdated; (2) cardholders, approving officials, and certifiers either had not received initial training or subsequent refresher training, (3) the Department lacked controls to require the review of credit worthiness of individuals before providing a purchase card, and (4) senior officials did little monitoring or oversight activity directed at assessing program results, evaluating internal control, or identifying the extent of potentially fraudulent, improper, and abusive or questionable purchases.

Outdated and Inadequate Guidance

OMB Circular A-123 requires each Federal agency to develop and implement policies and procedures for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable reporting, and compliance with applicable laws and regulations. However, we noted that the Department's purchase card guidance was outdated. For example, USCP General Order [REDACTED] was issued June 1989.

Additionally, OFM's standard operating procedures had not been updated since 2005. For example, [REDACTED] and [REDACTED] became effective in June 2006 and February 2005, respectively. Furthermore, the [REDACTED] (May 2005) also

is outdated. For example, the PCard guide still references the previous accounting system and the prior micro-purchase limit of \$2,500. Currently, the Department disseminates procedures and program changes through emails and memorandums with no follow-up of receipt or confirmation of understanding. As of result, cardholders and approving officials may not be fully aware of their roles and responsibilities which increase the risk of improper or misuse of the purchase card, inaccurate data enter into the accounting system, and other purchase card procedures not implemented as designed thereby diluting intended controls.

Inadequate Training and Outdated Training Materials

According to OMB Circular A-123, Appendix B, each agency must provide training on purchase card management for all program participants including cardholders, purchase card managers, and approving officials. Additionally, all program participants must take refresher training at a minimum, every three years. However, we noted the Department has not consistently provided adequate training to cardholders, approving officials, and certifiers. This is evidenced by the control deficiencies identified in this report. Of nine employees interviewed (4 cardholders and 5 approving officials), four did not receive formal PCard training before receiving a purchase card. Of the remaining five that received formal training, four have not received refresher training within the required three years after the initial training.

OFM also was unable to produce all of the “Certificates of Training Completion” to document those current purchase cardholders and approving officials had received appropriate training. The coordinator was unable to provide 7 of 21 purchase cardholders training certificates. The coordinator also did not provide 3 of 7 approving officials training certificates.

Furthermore, the Department has not updated its purchase card training and reference materials since 2005. In fact, the training materials still reference the previous accounting system and the prior micro-purchase limit of \$2,500.

Lack of Credit Worthiness Review

Section 639 of the Consolidated Appropriations Act (P.L. 108-447) states that

...Each agency must assess the credit worthiness of all new purchase card and travel card applicants prior to issuing a card. For first-time purchase card applicants with a credit score between 500 and 660, the agency may only issue a card with stringent restrictions. The agency may not issue a purchase card to applicants with a credit score lower than 500....

However, we noted that OFM does not assess the credit worthiness of purchase card applicants to ensure cardholders are financially responsible. The Department’s current policies and procedures do not have provisions to evaluate the credit worthiness of purchase cardholders. While USCP is a legislative branch agency and not required to follow OMB guidelines; they do incorporate this guidance in purchase card guidelines as a best practice. The Department does

evaluate credit during the hiring process; however there is no coordination with the purchase card program. As a result, the Department could grant purchase card responsibilities and duties to individuals who are not financially responsible, increasing the risk that waste and abuse will occur.

Inadequate Monitoring

According to the *Practical Guide for Reviewing Government Purchase Card Programs* issued by the PCIE, managers are responsible for program performance, productivity, controlling costs, and assuring that programs are managed with integrity and in compliance with applicable laws. Management controls are used to assure that there is prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets. Additionally, OMB Circular A-123 requires agencies to (1) develop and maintain a purchase card management plan, (2) perform risk assessments over program controls, policies and practices, and implement appropriate safeguards based on those risks, and (3) maintain and report data and performance metrics related to charge card management.

However, we identified little monitoring or oversight activity directed at assessing program results, evaluating internal control, or identifying the extent of potentially fraudulent, improper, and abusive or questionable purchases. Department's guidance does not address the requirement of a senior official to monitor purchase card activities. Consequently, the official responsible for the oversight of the purchase card program has not received training on how to run, review, and analyze purchase card informational reports available from the purchase card provider, Citibank. This results in a lack of program monitoring at a senior level and increases the risk that purchase cards may not be used as intended. Inadequate or lack of monitoring also increases the risk of unauthorized acquisition and non-compliance with applicable guidance and laws.

Conclusions

The purchase card program offers significant benefits; however, a weak overall control environment and breakdowns in key internal controls leaves the Department vulnerable to potentially fraudulent, improper, and abusive purchases. Thus, OIG is making the following recommendation.

Recommendation 1: We recommend that the United States Capitol Police update and communicate policies and procedures to address the identified internal control deficiencies noted for the Purchase Card Program culminating in a comprehensive purchase card management plan. This plan should include the requirement for

- a. formal training and refresher training for all purchase card participants (cardholders and certifiers) including maintaining records of attendees;**
- b. establishing sound internal controls, such as periodic monitoring (at least monthly) of purchase card activities by the purchase card program coordinator;**

- c. **a credit worthiness evaluation prior to issuing a purchase card to first time applicants. In order for a first time purchase card applicant to receive a Citibank charge card, a credit score must be obtained for that employee. For current cardholders for which no credit scores exist, justification should be documented; and**
- d. **a senior level official to begin monitoring purchase card transactions on-line to ensure that all transactions are valid and are consistent with policies. The monitoring should include running queries and analytical reports on a regular basis to determine a baseline upon which variance analysis could be conducted. The results (positive and negative) should be documented, as well as the follow-up and resolution of any discrepancies.**

Noncompliance with Controls

We noted numerous noncompliance issues because the Department's internal controls were not operating as intended. Specifically, we found that (1) cardholders did not obtain advance approval of purchases before placing an order; (2) cardholders did not meet timeliness standards for recording, reconciling, and reviewing transactions; (3) payments for purchase card transactions often did not have key supporting documents; and (4) in numerous instances cardholders did not enter the correct vendors and BOC in the official accounting system.

Advance Approval

We found that cardholders did not request advance approval prior to placing an order. Current procedures require purchase requests to be approved by OFM, increasing the amount of time needed to process approvals. We identified 247 of 932 or 26.5 percent of transactions tested, where the cardholder placed orders prior to a purchase request being approved, which is in violation of the Department's stated process.

Timeliness Standards

According to the PCard Guide, funding for each transaction must be authorized prior to initiating the purchase. However, we found that the Department does not consistently create an obligation in the accounting system within the 24 hour allotted time period, as is required of the cardholder and documented in the [REDACTED] statement that is prepared and signed each month. Of 932 transactions tested, 373 or 40 percent were not created in a timely manner as shown in Table 2.

Table 2 - Internal Control Testing Error Rate

Internal Control Deficiency	# of Exceptions	Error Rate
Purchase card reconciliation not completed within seven days	43 of 51	84.3%
Purchase request is not properly approved before order date	247 of 932	26.5%
CCA (obligation) is not created within 24 hours of the purchase	373 of 932	40.0%

Source: Testing and non-statistical analysis of Department purchase card transaction files for the 15-month audit period.

Additionally, we noted that purchase card reconciliations were not prepared on a timely basis. The program guidelines allow five days for the cardholder to reconcile, and two additional days for approver certifications. However, of the 51 monthly statements reviewed, the cardholders prepared 43 or 84.3 percent statement reconciliations late. The PCard Guide states “the card statements must be reconciled with the buying log and supporting documentation to determine if the charges on the statement are accurate.” The Department does not have detailed reconciliation procedures for cardholders to follow or guidelines for statement approvers that certify the accuracy and completeness of monthly statements. Of the 51 statements reviewed, 39 or 76 percent did not agree to the purchase card buying log. In these cases cardholders prepared purchase logs to follow the calendar, instead of preparing the log to follow the card statement billing period. This resulted in logs that were perpetually out of sync with billing statements. Further, cardholders did not maintain documentation that reconciled with the billing statement.

Lack of Supporting Documentation

Cardholders did not consistently maintain supporting documentation in accordance with the PCard guidelines. The PCard guidance defines what constitutes supporting documentation and what needs to be maintained to support the procurement process. Supporting documentation can consist of any information related to a purchase transaction to include:

- [REDACTED],
- [REDACTED] screen print copy,
- Completed PCard Buying Log,
- Sales Draft,
- Receiving and Inspections Reports,
- Dispute Forms,
- Record of Telephone Conversations, and
- Waivers to Required Sources of Supply or Services.

However, in 266 of 932 transactions reviewed (29 percent), we found no receiving/inspection reports. Accordingly, we were unable to determine what was purchased, delivered, and/or received. As a result, purchase cardholders are signing a log or certification certifying that it is complete and purchase card approvers are signing a log or certification certifying the reconciliation is complete, when in fact the log or certification is incomplete and supporting documentation is missing. Further, the certification statement at the bottom of each purchase card buying log references Title 18 of the US Code, which invokes criminal penalties for making false statements.

Incorrect Vendor Codes and Budget Object Class (BOC)

Cardholders recorded incorrect vendor codes and BOCs in the official accounting system. We noted 20 transactions where the vendor recorded in [REDACTED] was not the actual vendor paid per the purchase card statement. For example, a credit card authorization (CCA) was created for Taylor Security & Lock Co., a legitimate vendor in the official accounting system. However, as shown on the purchase card statement, the purchase was made from Locksmith Parts Supply (legitimacy of vendor unknown). The ability to create an obligation under one vendor and then pay another vendor increases the risk that improper purchases will occur and not be detected. Per FMFIA, expenditures applicable to agency operations must be properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

Of the 932 transactions reviewed, 109 (12 percent) did not record the correct BOC into the accounting system. We noted that on many occasions the itemized request (IQ) and/or CCA would have a description and BOC different than what was actually ordered and received. Frequently, the IQ/CCA would have a generic description of office supplies with an associated BOC of 2610. However, the invoice showed computer peripherals instead of office supplies. As a result, the approving official is unable to verify the appropriateness of the classification because purchase card buying log descriptions were vague and the cardholder did not consistently record the correct BOC, which is required information. The USCP [REDACTED] dated August 15, 2007, states that “BOC codes are the responsibility of the Financial Liaison Officers and other personnel who prepare requisitions.”

Conclusions

We noted a substantial number of purchases for which cardholders and approving officials had not adhered to important controls and that were not in accordance with valid requirements, policies, and procedures. Thus, OIG is making the following recommendations.

Recommendation 2: We recommend that the United States Capitol Police update the PCard guidance to include requirements

- a. describing the nature and extent of documentation to be maintained, beginning with the procurement request (defining need/requirements/specifications) and ending with documentation of the receiving process; creating detailed reconciliation procedures to complement the procedures in the PCard Guide that describe how to maintain a purchase log that is in agreement with billing statements.**
- b. detailing procedures for the approving official that certifies the reconciliation, which should include an explanation as to why the control is important and the possible consequences of not completing a diligent review.**

- c. **establishing a clearly defined reconciliation period as the five days after the statement period ends. Each cardholder should receive electronic notification of statement availability with the understanding that the five days commences upon receipt of the notification.**

Recommendation 3: We recommend that the United States Capitol Police require the Purchase Card Program Coordinator to conduct monthly monitoring of purchase cardholder statements and purchase log reconciliations to measure compliance.

Questionable Transactions

We classified approximately \$180,000 in transactions as questionable. These included prohibitive use of the purchase card such as micro-purchases that exceeded the maximum amount of \$3,000 (split purchase), unauthorized items, and a lack of supporting documentation for purchases for which the cardholder did not demonstrate a valid government need.

Prohibitive Use Transactions

According to the *Presidents Council on Integrity and Efficiency Practical Guide for Reviewing Government Purchases*, management should be aware of the charge limits on their cardholders and monitor card use to ensure that cardholders do not exceed their assigned purchase level. FAR 48 CFR 13.003c also prohibits cardholders from splitting charges to circumvent transaction thresholds. The PCard Guide defines splitting and deems such activity to be an unauthorized use of the purchase card.

However, we noted that cardholders exceeded the maximum allowable transaction limit of \$3,000. Our review of documentation (July 2008) also showed, in one instance, the cardholder split the purchase to avoid the purchase card transactional limit of \$3,000. In this instance, the purchase log displayed two separate lines and the card statement displayed the same two lines, however, there was only one receipt for one item exceeding the then current \$3,000 threshold. The amount of the purchase was \$3,224. Purchase cardholders have the ability to manipulate the maximum single and monthly transaction limits by splitting the purchase into two transactions because card monitoring procedures are insufficient. An inappropriate procurement method may be used putting the Department at risk of violating its acquisition policies, such as purchasing IT equipment without OIS approval.

Cardholders also purchased items that are on the unauthorized purchase list or require a waiver/approved by another office. Some purchases are unauthorized based on procurement regulations, and others are based on Department internal policy. The PCard Guide includes the following examples of unauthorized use of the Government Purchase Card include (1) purchases that are for personal use or consumption, (2) advance payments, (3) cash advances, (4) furniture,

(5) entertainment, amusement, and recreational services, (6) personal services, (7) purchases that exceed PCardholders limits. However, we noted the purchase of personal use items such as water totaling \$2,793², personnel services costing \$2,163, convenience checks incurring cash advances totaling \$33 as shown in Table 3. According to the PCard Guide, if a vendor does not accept the purchase card the cardholder should attempt to find one that does. The resulting cash advances are an unauthorized use of the purchase card.

Table 3 - Unauthorized Purchases

<i>Description</i>	<i>Number of Transactions</i>	<i>Amount Questioned</i>
Monthly Water Service	12	\$2,793
Personnel Services	1	\$2,163
Exceeded Purchase Card Limit (Split Purchase)	1	\$3,224
Cash Advances	2	\$33
Total Questioned	16	\$8,212

Source: Testing and non-statistical analysis of Department purchase card transaction files for the 15-month audit period.
Amounts may not total due to rounding.

Lack of Supporting Documentation

Standards for Internal Control in the Federal Government requires that all transactions and other significant events be clearly documented and readily available for examination. Because we tested only a small portion of the transactions that appeared to have a higher risk of fraud, waste, or abuse; there may be other improper, wasteful, and questionable purchases in the remaining untested transactions and the results have not been extrapolated.

Cardholders did not consistently maintain support documentation to demonstrate a valid government need and/or that purchases were made for a reasonable cost as shown in Table 4. We noted cardholders routinely failed to document the justification for purchases as required by the PCard Guide. Purchases are made for tools, cameras, LCD monitors and televisions, advertising, parts for capitalized property, cable/satellite television subscriptions, and laptop computers without adequate justification being included. One of the objectives of the purchase card is just-in-time ordering, to avoid, carrying large amounts of pilferable office supplies. However, we noted cardholders used the purchase card to stock pile toner cartridges and office supplies. Also, it was noted in one instance that a purchase card charge to Corporate Express and the corresponding entry in the buying log was “Out of Stock.” Per the Purchase Card Manual, “*Purchases using the card must be immediately available.*”

² Offices other than Property & Asset Management Division purchased monthly water service without justifications.

Table 4 - Questionable Purchases

<i>Description</i>	<i>Number of Transactions</i>	<i>Amount Questioned</i>
Subscriptions to cable or DIRECTV television broadcasting	13	\$928
Laptop computers were purchased without approve of OIS	3	\$7,633
Property Certifications and membership dues to the National Property Managers Association	6	\$6,238
Televisions and accessories	6	\$3,697
No procurement evidence was provided	165	\$152,204
Total Questioned	193	\$170,700

Source: Testing and non-statistical analysis of Department purchase card transaction files for the 15-month audit period.
Amounts may not total due to rounding.

The approving official should question the need for purchases and quantities ordered when documentation insufficiently defines the Department needs or requirements. The Department PCard Guide states one of the approving official's responsibilities as, *"Verify that all transactions were made in the interest of the Government and that all purchases were made in accordance with the USCP procedures."* Without sufficient documentation to justify purchases, the approving officials are not able to properly execute their responsibilities.

Conclusions

Cardholders were not in compliance with Department policies and procedures resulting in questionable spending. Missing documentation prevented determining the reasonableness and validity of some purchases. Thus, OIG is making the following recommendation.

Recommendation 4: We recommend that the United States Capitol Police review reported questionable transactions and make a determination as to their appropriateness and valid Government need.

APPENDICES

List of Recommendations

Recommendation 1: We recommend that the United States Capitol Police update and communicate policies and procedures to address the identified internal control deficiencies noted for the Purchase Card Program culminating in a comprehensive purchase card management plan. This plan should include the requirement for

- a. formal training and refresher training for all purchase card participants (cardholders and certifiers) including maintaining records of attendees;
- b. establishing sound internal controls, such as periodic monitoring (at least monthly) of purchase card activities by the purchase card program coordinator;
- c. a credit worthiness evaluation prior to issuing a purchase card to first time applicants. In order for a first time purchase card applicant to receive a Citibank charge card, a credit score must be obtained for that employee. For current cardholders for which no credit scores exist, justification should be documented; and
- d. a senior level official to begin monitoring purchase card transactions on-line to ensure that all transactions are valid and are consistent with policies. The monitoring should include running queries and analytical reports on a regular basis to determine a baseline upon which variance analysis could be conducted. The results (positive and negative) should be documented as well as the follow-up and resolution of any discrepancies.

Recommendation 2: We recommend that the United States Capitol Police update the PCard guidance to include requirements

- a. describing the nature and extent of documentation to be maintained, beginning with the procurement request (defining need/requirements/specifications) and ending with documentation of the receiving process; creating detailed reconciliation procedures to complement the procedures in the PCard Guide that describe how to maintain a purchase log that is in agreement with billing statements.
- b. detailing procedures for the approving official that certifies the reconciliation, which should include an explanation as to why the control is important and the possible consequences of not completing a diligent review.


List of Recommendations

- c. establishing a clearly defined reconciliation period as the five days after the statement period ends. Each cardholder should receive electronic notification of statement availability with the understanding that the five days commences upon receipt of the notification.

Recommendation 3: We recommend that the United States Capitol Police require the Purchase Card Program Coordinator to conduct monthly monitoring of purchase cardholder statements and purchase log reconciliations to measure compliance.

Recommendation 4: We recommend that the United States Capitol Police review reported questionable transactions and make a determination as to their appropriateness and valid Government need.

DEPARTMENT COMMENTS

	UNITED STATES CAPITOL POLICE OFFICE OF THE CHIEF 1150 STREET, NE WASHINGTON, DC 20543-7218 June 19, 2009	<small>Form 100-10-000</small>
 MEMORANDUM		
TO:	Mr. Carl W. Hoecker Inspector General	
FROM:	Phillip D. Morse, Sr. Chief of Police	
SUBJECT:	Response to draft <i>Audit of USCP Purchase Card Program</i> (Report No. OIG-2009-05)	
 The purpose of this memorandum is to provide the United States Capitol Police response to the Office of the Inspector General's (OIG's) draft report <i>Audit of USCP Purchase Card Program</i> (Report No. OIG-2009-05).		
After review of the audit findings and recommendations, the Department generally concurs with the recommendations in the draft report.		
<u>Recommendation 1:</u> <i>We recommend that the United States Capitol Police update and communicate policies and procedures to address the identified internal control deficiencies noted for the Purchase Card Program culminating in a comprehensive purchase card management plan. This plan should include the requirement for</i>		
<i>a. formal training and refresher training for all purchase card participants (cardholders and certifiers) including maintaining records of attendees;</i>		
<i>b. establishing sound internal controls, such as periodic monitoring (at least monthly) of purchase card activities by the purchase card program coordinator;</i>		
<i>c. a credit worthiness evaluation prior to issuing a purchase card to first time applicants. In order for a first time purchase card applicant to receive a Citibank charge card, a credit score must be obtained for that employee. For current cardholders for which no credit scores exist, justification should be documented; and</i>		
<i>d. a senior level official to begin monitoring purchase card transactions on-line to ensure that all transactions are valid and are consistent with policies. The monitoring should include running queries and analytical reports on a regular basis to determine a baseline upon which variance analysis could be conducted. The results (positive and negative) should be documented as well as the follow-up and resolution of any discrepancies.</i>		

DEPARTMENT COMMENTS

USCP Response: We generally agree and plan to revise our purchase card policies and procedures to address identified control deficiencies noted in the report and to document initial and refresher training for purchase card holders and approving officials. In addition, we will consider the feasibility of establishing internal monitoring of purchase card transactions and activities, within available resource constraints. We will also consider the need for additional credit worthiness evaluations, in coordination with our legal counsel, to ensure that we are in compliance with current OMB guidance in this area.

Recommendation 2: *We recommend that the United States Capitol Police update the PCard guidance to include requirements*

- a. *describing the nature and extent of documentation to be maintained, beginning with the procurement request (defining need/requirements/specifications) and ending with documentation of the receiving process; creating detailed reconciliation procedures to complement the procedures in the PCard Guide that describe how to maintain a purchase log that is in agreement with billing statements.*
- b. *detailing procedures for the approving official that certifies the reconciliation, which should include an explanation as to why the control is important and the possible consequences of not completing a diligent review.*
- c. *establishing a clearly defined reconciliation period as the five days after the statement period ends. Each cardholder should receive electronic notification of statement availability with the understanding that the five days commences upon receipt of the notification.*

USCP Response: We generally agree and plan to clarify the responsibilities for purchase card holders and approving officials during our revision of the purchase card program policies and procedures to provide specific requirements for the documentation, detailed steps, and timelines, as appropriate, to accomplish each phase of the purchase card procurement process, including requisition, receipt, reconciliation, review, and certification.

Recommendation 3: *We recommend that the United States Capitol Police require the Purchase Card Program Coordinator to conduct monthly monitoring of purchase cardholder statements and purchase log reconciliations to measure compliance.*

USCP Response: We generally agree and plan to evaluate the feasibility of establishing procedures to conduct compliance monitoring of purchase cardholder statements and purchase log reconciliations, as resources allow. We will also consider alternative procedures within the purchase card transaction documentation, review, and approval processes that would help us identify potential non-compliance in a timely manner, as well as measure compliance trends with the revised policies and procedures.

DEPARTMENT COMMENTS

Recommendation 4: *We recommend that the United States Capitol Police review reported questionable transactions and make a determination as to their appropriateness and valid Government need.*

USCP Response: We generally agree and will review the questionable purchase card transactions, in coordination with legal counsel, to determine if they were made in compliance with Federal appropriations law and in accordance with the prevailing purchase card policies and procedures.

Thank you for the opportunity to respond to the OIG's draft report. Your continued support of the men and women of the United States Capitol Police is appreciated.

Very respectfully,



Phillip D. Morse, Sr.
Chief of Police

cc: Capitol Police Board
Chief Administrative Officer
Assistant Chief of Police
USCP Audit Liaison