



# UNITED STATES CAPITOL POLICE OFFICE OF INSPECTOR GENERAL

## Performance Audit of the United States Capitol Police Purchase Card Program

Report Number OIG-2017-11

August 2017

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## *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 audits, reviews, and investigative and special reports OIG prepares periodically as part of its oversight responsibility with respect to the United States Capitol Police (USCP) 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. We based our work on interviews with employees and officials of relevant agencies and institutions, direct observation, and review of applicable documents.

We developed our recommendations based on the best knowledge available to OIG and discussed the draft with those responsible for implementation. It is my hope that the recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to those contributing to the preparation of this report.

Fay F. Ropella, CPA, CFE  
Inspector General

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## Abbreviations and Acronyms

Agency/Organization Program Coordinator	A/OPC
Approving Official	AO
Budget Object Classification	BOC
Credit Card Payment	CCP
Fiscal Year	FY
General Services Administration	GSA
Government Accountability Office	GAO
Office of Inspector General	OIG
Procurement Division	PD
Standard Operating Procedures	SOP
United States Capitol Police	USCP or the Department



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## EXECUTIVE SUMMARY

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Congress enacted the *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act) to prevent fraud, waste, and abuse in Federal charge card programs. The Charge Card Act and Office of Management and Budget Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require that Inspectors General conduct annual risk assessments of charge card programs to analyze the risks of illegal, improper, or erroneous purchases and payments. Inspectors General must use those risk assessments for determining the necessary scope, frequency, and number of audits to perform in those areas.

The United States Capitol Police (USCP or the Department) Procurement Division (PD) manages the Purchase Card Program. The purchase card is a streamlined procurement method established to save both time and administrative costs. It empowers non-procurement employees with the authority to make official buys within a set limit. Within the Federal Government, the purchase card is the preferred method to purchase and pay for micro-purchases under \$3,500.

In accordance with our Fiscal Year (FY) 2017 annual plan, the Office of Inspector General (OIG) conducted a performance audit to determine whether USCP established adequate controls over its Purchase Card Program to ensure compliance with policies and procedures. Our scope included controls, processes, and operations from October 1, 2016, through March 31, 2017. Of 31 purchase cards the Department authorized, 26 card holders used their cards for 1,661 individual transactions, spending more than \$1 million during the audit period.

Overall, the Department did not adequately design internal controls and processes in a way that would ensure successful implementation and administration over its Purchase Card Program. The Department's purchase card guidance<sup>1</sup> was outdated and inconsistent and did not provide sufficient monitoring and oversight for compliance. Controls were not sufficient and did not ensure that card holders recorded the correct budget object classification codes. As a result, numerous non-compliance issues were brought to light.

Specifically, card holders did not properly document purchase card transactions and ensure compliance with micro-purchase guidance. Of the 45 monthly reconciliation packages tested, 25, or 56 percent, had missing, late, or illegible documentation. And of 45 certifications within the reconciliation packages, 39, or 87 percent, had either missing or late signatures and dates. Card holders also exceeded individual and monthly purchase limits. For example, one card holder exceeded the monthly purchase limit by more than \$8,000 without evidence of authorization. Further, purchase card holders either did not use required forms or complete required forms, or both, and did not complete the appropriate documents before establishing new

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<sup>1</sup> Interim Guidance, [REDACTED] September 20, 2011, and [REDACTED]  
[REDACTED] August 22, 2011.

purchase card accounts and did not take the required refresher training. Most importantly, PD did not conduct the required purchase card review following the close of each fiscal year.

As a result, the Department may not have spotted illegal, improper, or erroneous purchases because it was not operating effectively—a condition that can significantly increase the risk that card holders may have violated the Federal Acquisition Regulation.

We recommended that the Department (1) update and enforce its standard operating procedures (SOPs) and interim guidance; (2) identify, review, and resolve questionable transactions; and (3) establish a comprehensive plan for monitoring purchase card controls, processes, and operations to ensure compliance. See Appendix A for a complete list of OIG recommendations and Appendix B for a schedule of questioned costs.

On August 1, 2017, OIG provided a draft report to Department officials for comment. We incorporated the Department's comments as applicable and attached the response to the report in its entirety in Appendix C.

## **Background**

Established in 1998, the General Services Administration (GSA) SmartPay Program is the world's largest Government charge card and commercial payment program, providing services to more than 350 Federal agencies, organizations, and Native American tribal governments. GSA SmartPay enables authorized employees to make purchases on behalf of the Federal Government in support of their organization's mission. The program consists of four business lines: purchase, travel, fleet, and integrated. Three contractors provide services to the Government: Citibank, JPMorgan Chase, and U.S. Bank.

Prior to implementing GSA SmartPay, the Federal Government used traditional paper-based payment processes such as purchase orders for small dollar purchases (under the micro-purchase threshold). In many cases, traditional paper-based processing techniques cost more to process than the amount of the transaction. The inefficiency, costs, and risks associated with those processes were a key factor in the dramatic increase in the use of GSA SmartPay, which significantly streamlines transaction processing.

Purchase cards save time and administrative costs. The card provides non-procurement employees with the authority to make official buys within the limits designated by the agency. Within the Federal Government, the purchase card is the preferred method to purchase and pay for micro-purchases under \$3,500. The purchase card provider for the United States Capitol Police (USCP or the Department) is Citibank.

The USCP Procurement Division (PD) manages the Purchase Card Program. The Agency/Organization Program Coordinator (A/OPC)—an appointed responsibility—administers the program. Of 31 purchase cards the Department authorized, 26 card holders used their cards for 1,661 individual transactions, spending more than \$1 million during the audit period.



USCP's [REDACTED], became effective on September 20, 2011, and August 22, 2011, respectively. PD also has desk procedures, [REDACTED] dated June 2012, which implements guidance.

## OBJECTIVES, SCOPE, AND METHODOLOGY

As a result of the decentralized nature of transactions and because using purchase cards is an inherently risky method for purchasing, the number of card holders, and the amount of activity, the Office of Inspector General (OIG) initiated this audit. As seen by the passing of the *Government Charge Card Abuse Prevention Act of 2012* on October 5, 2012, Congress has an increased interest in the use of purchase cards by Federal agencies.

In accordance with our FY 2017 annual plan, OIG conducted this audit to determine whether USCP had established adequate controls over its Purchase Card Program that would ensure compliance with policies and procedures. OIG identified purchase card control deficiencies during its Fiscal Year (FY) 2016 financial statement audit.<sup>2</sup> We informed the Department of those deficiencies in the FY 2016 management letter.<sup>3</sup> The scope of this audit included controls, processes, and operations during the period October 1, 2016, through March 31, 2017. OIG will also use the results of this work during our audit of the Department's FY 2017 financial statements.

To accomplish our objectives, we interviewed relevant Department officials to gain an understanding of the following areas:

- Nature of the current Purchase Card Program
- Controls related to the Purchase Card Program
- Tools used for monitoring purchase card transactions
- Nature of current purchase card participants (card holders, approving officials [AOs], and PD officials) training

To determine compliance, we reviewed the following guidance, consisting of USCP guidance, as well as industry best practices:

- USCP [REDACTED], dated April 25, 2017
- *Federal Acquisition Regulation* (FAR) Part 13 – Simplified Acquisition Procedures, January 13, 2017

<sup>2</sup> *Independent Auditor's Report Financial Statements for Fiscal Years 2016 and 2015*, OIG-2017-02, December 2016.

<sup>3</sup> *Fiscal Year 2016 Management Letter*, OIG-2017-03, December 2016.



- Office of Management and Budget (OMB) Memorandum M-16-17, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016
- *Federal Acquisition Circular 2005-83*, dated October 1, 2015
- Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 10, 2014
- OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, September 6, 2013
- Public Law 112-194, *Government Charge Card Abuse Prevention Act of 2012*, October 5, 2012
- Interim Guidance, [REDACTED], September 20, 2011
- Interim Guidance, [REDACTED], September 20, 2011
- SOP [REDACTED], August 22, 2011
- USCP Directive [REDACTED], dated May 30, 2011
- OMB Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, January 15, 2009
- [REDACTED] September 26, 2005
- GAO, *Auditing and Investigating the Internal Control of Government Purchase Card Programs*, GAO-04-87G, November 1, 2003

During the scope of the audit—October 1, 2016, through March 31, 2017—personnel throughout USCP used purchase cards for 1,661 individual transactions. Those transactions consisted of 245 credit card payments (CCPs) totaling \$1,001,766.

A CCP is simply a payment to Citibank for purchases reconciled in the official accounting system, [REDACTED] and can include multiple purchases made under various authorizations. Of the 245 CCPs, we used IDEA<sup>®</sup>,<sup>4</sup> which is a data analysis tool designed for auditors, to pull a monetary unit sample, resulting in a sampling interval of \$16,979 and a sample size of 52 CCPs.<sup>5</sup> To determine if internal controls were functioning as designed related to monthly reconciliation packages, we needed a sample of 45 monthly packages. Our sample of 52 CCPs resulted in 40 different months. We then judgmentally selected the largest 5 CCPs from our population of 245 CCPs to ensure a sample of 45 reconciliation packages. The additional 5 CCPs resulted in a total sample of 57 CCPs totaling \$690,226 that covered 45 different monthly reconciliation packages as shown in Table 1.

<sup>4</sup> IDEA<sup>®</sup> is a data analytics tool designed for auditors by Caseware Analytics.

<sup>5</sup> Sixteen CCPs in the sample had values greater than the sampling interval of \$16,979.

**Table 1 – Sample Summary**

<i>Description</i>	<i>CCPs Selected</i>	<i>Monthly Reconciliation Packages Selected</i>	<i>Total Value</i>
Monetary Unit Sample	52	40	\$643,978
Judgmental Sample	5	5	46,248
<b>Total Sample</b>	<b><u>57</u></b>	<b><u>45</u></b>	<b><u>\$690,226</u></b>

Source: OIG generated from USCP total disbursements totaling \$186.9 million during October 1, 2016, through March 31, 2017. From that universe, we separated CCPs totaling \$1,001,766 and selected our sample size of 57 CCPs and 45 monthly reconciliation packages.

We performed attribute testing of controls to determine compliance with guidance regarding operation of the USCP Purchase Card Program. We also performed substantive testing to verify that amounts paid to the credit card vendor were valid and supported by appropriate evidence.

OIG conducted this performance audit in Washington, D.C., from April through June 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that will 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 August 1, 2017, we provided a draft copy of this report to Department officials for comment. On August 10, 2017, we conducted an exit conference with Department officials. See Appendix A for a list of OIG recommendations and Appendix B for schedule of questioned costs. We incorporated Department comments as applicable and attached the response to the report in its entirety as Appendix C.

## **RESULTS**

Overall, the Department did not adequately design internal controls and processes that would ensure card holders consistently complied with policies and procedures. As a result, numerous non-compliance issues came to light.

### **Inadequately Designed Internal Controls**

The Department did not adequately design internal controls that would ensure successful implementation and administration over its Purchase Card Program. Specifically, the Department had outdated purchase card guidance and insufficient monitoring and oversight for ensuring compliance with guidance, which allowed card holders to record incorrect budget object classification (BOC) codes.

### **Outdated and Inconsistent Guidance**

Although the Department established policies and procedures for the program, the guidance for purchase cards was out of date and not consistent. GAO *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 10, 2014; “Principle 12 -Implement Control Activities,” states, “Management should implement control activities through policies.” Yet, the

Department had not maintained updated guidance—Interim Guidance, [REDACTED]

[REDACTED] since 2011. Most strikingly, the Department had not updated its guide for [REDACTED] in almost 12 years. As a result, guidance did not reflect the Department’s practices for the accountability of purchases using purchase cards. As an example of outdated guidelines, Department guidance did not reflect the micro-purchase threshold set by the *Federal Acquisition Circular 2005-83*, dated October 1, 2015. That guidance increased purchase levels \$3,000 to \$3,500.

The Interim Guidance and SOP also had contradicting information regarding the time-sensitive actions required of card holders and AOs. Whereas the SOP allows nine business days, the Interim Guidance allows only seven days for the card holder to review and reconcile the purchase card statement. The SOP states, “the nine business day turn around time is generally comprised of seven business days for Card Holder action and two business days for AO action.” However, the Interim Guidance stipulates “Purchase Card program participants have seven days to submit the approved Card Holder statements to the OFM Accounting Office for review and reconciliation. Those seven days are generally comprised of two days for Card Holder action (review account statements and forward to AO), and five days for AO action (review, approve, and forward to Accounting).” According to the Procurement Officer, PD guidance updates are awaiting completion of an official reorganization in which PD will become the Office of Procurement.

### **Inadequate Monitoring and Oversight**

Monitoring and oversight procedures were insufficient and did not ensure compliance with policies and procedures. GAO’s *Standards for Internal Control in the Federal Government* require that management must perform “ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.”

Although both the SOP and Interim Guidance address document retention requirements, the Department did not ensure that card holders and AOs prepared and retained documents in a consistent manner. Card holder documents were often incomplete, illegible, and missing and did not support purchase card statement reconciliation packages.<sup>7</sup> Although, the Department’s Interim Guidance outlines requirements for a program review, PD did not have a Department-wide monitoring process that would ensure card holders and AOs completed reconciliation packages in an accurate and timely manner.

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[REDACTED] dated September 26, 2005.

<sup>7</sup> A reconciliation package typically consists of the approved procurement request, CCA, completed Purchase Card Buying Log, sales receipt, Citibank Statement of Account, and Certification Report (with signature of both card holder and AO).



## **Incorrect Budget Object Classification Codes Recorded**

Department controls did not ensure that card holders recorded the correct BOC code throughout the purchase card process. USCP Directive [REDACTED], dated April 25, 2017, states “The appendix to this directive identifies and describes the BOC codes that must be used by Department personnel for developing budget estimates and requests, and for recording its budgetary and proprietary financial transactions. Selection of the appropriate BOC code is of critical importance for documents referenced to the requisition document recorded in [REDACTED]....”

Of 50 CCPs tested, 5 that represented 4 card holders did not have the appropriate BOC for the related purchase. For example, one card holder recorded telecommunication services provided by Verizon under two BOCs: 2310 (Rental of Equipment) and 3110 (Non-capitalized Furniture, Equipment, and Machinery). The correct BOC for that purchase was 2334 (Local Telecommunications). In another instance, a card holder recorded BOC 2610 (Office and Miscellaneous Supplies) for purchases of truck vaults for sport utility vehicles. When card holders do not properly identify the correct BOC code, transactions end up being inaccurately reported in the USCP general ledger and can result in management relying on inaccurate information in decision-making and reporting to Congress.

## **Conclusions**

Whatever controls there were (if any) did not ensure that card holders performed the purchase card process in a consistent and accurate manner. USCP should strengthen its controls to ensure an appropriate level of accountability for supporting, recording, and reporting purchase card transactions. The deficiencies in Department guidance and monitoring create an environment where errors, fraud, waste, and abuse can occur and remain undetected. The OIG, therefore, makes the following recommendations.

**Recommendation 1:** We recommend that the United States Capitol Police update and implement a consistent Department-wide policy related to its Purchase Card Program that aligns with the General Services Administration’s SmartPay Program, which enables authorized Government employees to make purchases on behalf of the Federal Government in support of their organization’s mission.

**Recommendation 2:** We recommend that the United States Capitol Police develop and fully implement a Department-wide monitoring and oversight program plan that will ensure authorized employees make, record, report, and/or approve purchase card transactions in accordance with the Department Purchase Card Program guidance.

**Recommendation 3:** We recommend that the United States Capitol Police enforce and monitor application of appropriate budget object classification codes as Directive [REDACTED], dated April 25, 2017, prescribe and reference the Directive in the [REDACTED]



## Non-compliance with Guidance

Outdated purchase card policies and procedures and ineffective monitoring and oversight resulted in non-compliance. Specifically, purchase card holders did not (1) maintain required documents and forms supporting reconciliations nor did they complete the process in a timely manner; (2) use and complete required forms and documents before establishing new purchase card accounts; (3) ensure purchases did not exceed the preassigned single and monthly purchase limits without evidence of proper authorization; and (4) complete the required purchase card training. Most importantly, PD did not comply with Interim Guidance, which requires purchase card reviews at the close of each fiscal year.

## Reconciliation Package and Certification Report

Card holders and AOs did not complete reconciliation packages and certification reports within required timeframes. The Department's Interim Guidance requires that card holders reconcile the purchase card statement from Citibank against the Purchase Card Buying Log. Such reconciliation requires that card holders approve, dispute, or reallocate each purchase card transaction posted to the card holder statement. Table 2 shows a properly executed timeline for reconciliation and certification.

**Table 2 – Example of Properly Executed Timeline**

<i>Statement Date</i>	<i>October 23, 2016</i>
Monthly Reconciliation Completed and Submitted to Approving Official for Review	November 1, 2016 (within 7 business days of receipt of the statement)
Certification Report Signed by Approving Official after Review and Submitted to Agency/Organization Program Coordinator	November 3, 2017 (within 9 business days of receipt of the statement)

Source: OIG generated from statement period September 24, 2016, through October 23, 2016, using the purchase card SOP as of July 2017.

We reviewed 45 reconciliation packages. Of those 45 packages, 25 contained missing, late, or illegible documentation and 18 contained monthly statements and Buying Logs totals that did not agree. See [REDACTED]. The packages reviewed also contained numerous clerical errors on the Buying Logs such as inaccurate order dates, posting date, and vendors used. Inaccuracies primarily occurred because card holders and AOs did not accurately verify and/or approve transactions between the Buying Log and the statement. Of the 45 certifications tested, 39, or 87 percent, had either missing or late signatures and/or dates as shown in Table 3. In fact, one AO signed the certification report nearly a year after the statement period ended and eight others were signed more than 6-months late. Delayed AO signatures could have occurred because card holders signed the report late. In one instance, the card holder signed the Certification Report nearly 8 months after the statement period ended. See [REDACTED]. Also, see Appendix F for a table of exceptions by division.

**Table 3 – Certification Report Exceptions from 45 Reconciliation Packages Tested**

<i>Attribute</i>	<i>Signed but not Dated</i>	<i>Not Signed or Dated</i>	<i>Late</i>	<i>Not Provided</i>	<i>Total Exceptions</i>	<i>Error Rate</i>
Card Holder			4		4	9%
AO	6	13	5		24	53%
Card holder and AO			10	1	11	24%
<b>Total</b>	<b><u>6</u></b>	<b><u>13</u></b>	<b><u>19</u></b>	<b><u>1</u></b>	<b><u>39</u></b>	<b><u>87%</u></b>

Source: OIG generated from testing of reconciliation packages, which includes certification forms for the period October 1, 2016 through March 31, 2017.

### **Credit Card Payments Lacked Required Documentation**

We reviewed and tested 57 CCPs. Of those 57, 7—or 12 percent—were either not provided, illegible, or lacked sufficient supporting documentation. Consequently, purchase card payments were missing accurate supporting evidence. Missing supporting evidence resulted in actual unsupported costs totaling \$53,015.

We tested the remaining 50 payments to substantiate and validate those made to the vendor, Citibank. Of the 50 payments, 8 had missing documentation such as statement transaction details, receiving report, invoice, and buying logs, and resulted in unsupported costs totaling \$12,091.

### **Single and Monthly Purchase Limits Exceeded**

Interim Guidance for the Purchase Card Program states, “the single purchase limit for Card Holders NOT in an acquisition position typically is set at the micro-purchase threshold, with a monthly billing cycle limit of not more than \$35,000.” Card holders, however, exceeded the single and monthly purchase limits without evidence of proper authorization. Of 45 tested, 4 reconciliation packages had transactions that exceeded either single or monthly purchase limits for card holders. The following are examples of purchases that were over the limit:

1. The card holder exceeded a single purchase limit by about \$2,700 (purchase \$12,700; limit \$10,000), which we classified as unauthorized. PD did not provide any evidence authorizing a temporary increase.
2. The card holder exceeded a monthly purchase limit by about \$8,460. According to an official, PD increased the card holder’s monthly limit to \$100,000 in 2009 and later reduced the limit to \$35,000, but failed to submit a change request to Citibank, which resulted in charges higher than the limit for a given month and an unauthorized amount of \$8,460.

3. The card holder exceeded a monthly purchase limit by about \$1,411. According to PD official, Citibank made an error in processing, which resulted in processing the transaction through a current billing cycle instead of posting in the next monthly cycle.
4. The card holder exceeded a monthly purchase limit by about \$30. According to an official, PD increased the card holder's monthly limit to an additional \$33,000, which increased the limit from \$35,000 to \$68,000. However, upon review of the supporting documentation the card holder's monthly limit increased to \$33,000, which was not sufficient to cover the total purchases made in a given month and resulting in unauthorized amount of \$30.

The cited unauthorized purchases may have occurred because PD officials did not always monitor both purchase limits and the account activities of Department card holders; the list of active card holders and AOs and their respective preassigned purchase limits provided by PD was not up to date. As a result, card holders may have made purchases beyond their designated purchase authority, which could have significantly increased opportunities for fraud, waste, and abuse.

### **Absence of New Account Forms**

Not all employees with purchase card responsibilities complied with Department guidance regarding use and completion of required forms and documents prior to establishing new accounts. For seven employees new to the program,<sup>8</sup> the Department did not use the [REDACTED] as required. Despite non-compliance with usage of required forms, six of seven nomination memoranda reviewed contained all of the required components such as nominated employee name; position title; bureau/office/division; requested single and monthly purchase limits; justification for purchase card request; person nominating employee; and his/her signature. However, one memorandum failed to address requested single and monthly purchase limits, which are essential elements of such a document.

Three of 7 card holders received their purchase cards before the Procurement Officer delegated procurement authority via a delegation of authority. For example, the Procurement Officer did not sign or approve the delegation of authority until 9 months after opening the account. During those 9 months, the card holder made \$17,735 in purchases. In another instance, the Procurement Officer did not sign or approve the delegation of authority until 4 months after opening the account. During those 4 months, the card holder made \$41,842 in purchases. As a result, we classified \$59,577 as unauthorized because the card holder made the purchases before PD established the procurement authority. Not using standardized forms and information to transmit data can create control vulnerabilities.

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<sup>8</sup> OIG defines new card holders as those with accounts opened since Calendar Year 2015.

## Insufficient Training

Department Interim Guidance requires that purchase card holders take refresher training at least every 2 years. Refresher training consists of the GSA purchase card Web-based training as well as the purchase card training that USCP provides. Yet, card holders and AOs did not always comply with the training requirement. As of March 31, 2017, of the 36 card holders and AOs reviewed, 21, or 58 percent, were either late in taking the training or had no documentation they met the mandatory 2-year GSA requirement. One card holder had, in fact, not taken the GSA training for about 4 years. Three other card holders were more than 6 months late in taking the GSA training. As shown in Table 4, PD did not provide any evidence of meeting the 2-year in-house training requirement. Failure to complete training occurred primarily because PD did not have established controls for monitoring or identifying whether card holders and AOs completed training. An official in PD stated that it did not keep or maintain any centralized records of training that would make it easy to monitor adherence to program training requirements effectively.

**Table 4 – Purchase Card Refresher Training Exceptions**

<i>Attribute</i>	<i>Total Participants</i>	<i>Late in taking training</i>	<i>No evidence of meeting 2 year training requirement</i>	<i>Total Exceptions</i>	<i>Percent</i>
GSA training	36	16	5	21	58%
USCP training	36		36	36	100%

Source: OIG generated from testing of training records provided for the period.

Without completing refresher training, USCP purchase card holders may not understand their role and responsibility for the program. The Department could reduce the risk of misuse and abuse of purchase cards by ensuring that participants are continually trained. We believe that failure to complete the required refresher training should at a minimum lead to suspension of card holder and AOs purchase card account privileges until the card holders successfully complete training.

## Lack of Annual Purchase Card Program Review

PD did not comply with the Interim Guidance requiring that the Program Coordinator (A/OPC) review the Purchase Card Program at the close of each fiscal year. Purchase card reviews assess compliance with laws and regulations, efficiency of operations, and adequacy of internal or management controls. The A/OPC must document the findings in a written report, *Annual Purchase Card Review Report*, which is due to the Procurement Officer by December 31 of each year. According to the Interim Guidance, the A/OPC monitoring of the Purchase Card Program once a year ensures that card holders and AOs are using internal controls and following proper procedures. “[A/OPC] reviews can result in recommendations regarding withdrawal of the Purchase Card delegation and appointment.”



For the audit period, management did not hold the A/OPC accountable for the required annual reviews. The Procurement Officer stated that although PD completed most of the required components of the annual review, it did not document the results. Without the routine review and monitoring of the Purchase Card Program, the Department cannot assess its compliance with laws and regulations, efficiency of operations, and adequacy of internal or management controls appropriately. Moreover, the lack of review and monitoring of the program increases the opportunity of erroneous and/or improper purchases remaining undetected, and could put the Department at a higher risk of fraud, waste, and abuse.

## **Conclusions**

Purchase card holders did not comply with Department guidance. Failing to complete required reconciliations and certifications in a timely manner created an environment in which fraud, waste, and abuse could thrive unabated. The lack of utilization of required forms and prior delegation of authority approval can contribute to an environment in which a lack of accountability exists. Failure to maintain evidence of required training in accordance with USCP and GSA requirements could erode accountability for the Purchase Card Program. Finally, the absence of the annual program review report elevates the risk of errors, fraud, waste, and abuse. Thus, the OIG makes the following recommendations:

### **Recommendation 4: We recommend that the United States Capitol Police**

- a. Immediately develop and implement a process by which card holders complete monthly reconciliation packages and certification reports within established timeframes, ensuring that documentation is available, legible, accurate, and in agreement.**
- b. Provide and maintain adequate supporting documentation so that an appropriate determination can be made regarding multiple transactions and issues with questioned costs totaling \$137,284. See Appendix B for *Schedule of Questioned Costs*.**

**Recommendation 5: We recommend that the United States Capitol Police reconcile internal card holder credit limits and authority with those of Citibank ensuring that card holders do not exceed authorized micro-purchase single or monthly card limits.**

**Recommendation 6: We recommend that the United States Capitol Police develop and fully implement a process that ensures compliance with Department guidance regarding using and completing required forms and documents prior to establishing new purchase card accounts.**

**Recommendation 7: We recommend that the United States Capitol Police immediately improve training by developing a method of tracking and monitoring training for purchase card holders and ensuring that those card holders and approving officials**

understand their roles and responsibilities. The Department should also suspend any purchase cards accounts for card holders who do not comply with the required training.

**Recommendation 8:** We recommend that the United States Capitol Police hold Procurement Division officials including the Agency/Organization Program Coordinator accountable for completing the annual purchase card review in a timely manner. When applicable, supervisors should provide feedback in annual appraisals regarding the lack of individual or individuals meeting expected performance goals, thereby ensuring accountability and compliance with Department guidance.

# APPENDICES

## *List of Recommendations*

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**Recommendation 1:** We recommend that the United States Capitol Police update and implement a consistent Department-wide policy related to its Purchase Card Program that aligns with the General Services Administration's SmartPay Program, which enables authorized Government employees to make purchases on behalf of the Federal Government in support of their organization's mission.

**Recommendation 2:** We recommend that the United States Capitol Police develop and fully implement a Department-wide monitoring and oversight program plan that will ensure authorized employees make, record, report, and/or approve purchase card transactions in accordance with the Department Purchase Card Program guidance.

**Recommendation 3:** We recommend that the United States Capitol Police enforce and monitor application of appropriate budget object classification codes as Directive [REDACTED], dated April 25, 2017, prescribe and reference the Directive in the [REDACTED]

**Recommendation 4:** We recommend that the United States Capitol Police

- a. Immediately develop and implement a process by which card holders complete monthly reconciliation packages and certification reports within established timeframes, ensuring that documentation is available, legible, accurate, and in agreement.
- b. Provide and maintain adequate supporting documentation so that an appropriate determination can be made regarding multiple transactions and issues with questioned costs totaling \$137,284. See Appendix B for *Schedule of Questioned Costs*.

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**Recommendation 6:** We recommend that the United States Capitol Police develop and fully implement a process that ensures compliance with Department guidance regarding using and completing required forms and documents prior to establishing new purchase card accounts.



**Recommendation 7:** We recommend that the United States Capitol Police immediately improve training by developing a method of tracking and monitoring training for purchase card holders and ensuring that those card holders and approving officials understand their roles and responsibilities. The Department should also suspend any purchase cards accounts for card holders who do not comply with the required training.

**Recommendation 8:** We recommend that the United States Capitol Police hold Procurement Division officials including the Agency/Organization Program Coordinator accountable for completing the annual purchase card review in a timely manner. When applicable, supervisors should provide feedback in annual appraisals regarding the lack of individual or individuals meeting expected performance goals, thereby ensuring accountability and compliance with Department guidance.

United States Capitol Police  
Purchase Card Program  
October 1, 2016 – March 31, 2017

Schedule of Questioned Costs

QUESTIONED COSTS <sup>9</sup>			
<i>Unallowable/ Unauthorized</i>	<i>Unsupported</i>	<i>Total</i>	<i>Notes</i>
	\$53,015	\$53,015	The card holder's Buying Log was illegible or the reconciliation package was incomplete or not provided (page 9.)
	\$12,091	\$12,091	The card holders did not provide sufficient or appropriate supporting documentation (page 9.)
*\$2,700		\$2,700	The card holder exceeded the single purchase limit and did not provide any evidence of prior authorization (page 9.)
*\$9,901		\$9,901	The card holders exceeded the monthly purchase limit and did not provide any evidence of prior authorization (page 9 - \$8,460, \$1,411 and \$30.)
\$59,577		\$59,577	The card holders made purchases before the Procurement Officer had established the procurement authority (page 10 - \$17,735 and \$41,842.)
<b><u>\$72,178</u></b>	<b><u>\$65,106</u></b>	<b><u>\$137,284</u></b>	



Source: OIG generated.

Amounts rounded to the nearest dollar.

\*We were unable to identify the actual charges over the limit. Therefore, we used the excess amount over the threshold in our cost computation for accuracy and consistency.

<sup>9</sup> According to Code of Federal Regulations ,Title 2 Subtitle A, Chapter II Part 200 Subpart A Section 200.84; "questioned cost" means a cost that is questioned by the auditor because of an audit finding: (a) which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds; (b) where the costs, at the time of the audit, are not supported by adequate documentation; or (c) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

## DEPARTMENT COMMENTS

	<b>UNITED STATES CAPITOL POLICE</b>		PHONE: 202-224-9806
	OFFICE OF THE CHIEF		
	119 D STREET, NE		
	WASHINGTON, DC 20510-7218		
	August 17, 2017		
			COP 171132
<b><u>MEMORANDUM</u></b>			
<b>TO:</b>	Ms. Fay F. Ropella, CPA, CFE Inspector General		
<b>FROM:</b>	Matthew R. Verderosa Chief of Police		
<b>SUBJECT:</b>	Response to Office of Inspector General draft report <i>Performance Audit of the United States Capitol Police Purchase Card Program</i> (Report No. OIG-2017-11)		
<p>The purpose of this memorandum is to provide the United States Capitol Police response to the recommendations contained within the Office of Inspector General's (OIG) draft report <i>Performance Audit of the United States Capitol Police Purchase Card Program</i> (Report No. OIG-2017-11).</p> <p>The Department generally agrees with all of the recommendations and appreciates the opportunity to further improve upon the policies and procedures within the Office of Procurement. The Department will assign Action Plans to appropriate personnel regarding each recommendation to achieve long-term resolution of each matter.</p> <p>Thank you for the opportunity to respond to the OIG's draft report. Your continued support of the women and men of the United States Capitol Police is appreciated.</p> <p>Very respectfully,</p> <p></p> <p>Matthew R. Verderosa Chief of Police</p> <p>cc: Steven A. Sund, Assistant Chief of Police Richard L. Braddock, Chief Administrative Officer [REDACTED] USCP Audit Liaison</p> <p><small>Nationally Accredited by the Commission on Accreditation for Law Enforcement Agencies, Inc.</small></p>			

### Table of Exceptions by Division

Division	Purchase Card Amount	Total Number of CCPS	Number of CCPS Tested	Number of Exceptions
CAO	\$ 1,834	7	1	1
MAB	\$ 21,582	85	3	8
OFM	\$ 43,623	59	3	8
OIS	\$ 32,341	79	2	5
OPOL	\$ 2,123	5	1	2
OSB	\$ 145,463	421	7	8
PAMD	\$ 144,408	141	7	14
PD	\$ 119,888	93	6	15
PSB	\$ 93,104	111	3	12
SSB	\$ 117,117	180	9	18
TSB	\$ 24,689	53	3	3
VMD	\$ 175,777	305	11	26
*Disputed charges	\$ 7,087	12	1	1
<b>Total</b>	<b>\$ 1,001,766</b>	<b>1,661</b>	<b>57</b>	<b>121</b>

Source: OIG generated from exceptions tested.

\*According to PD Standard Operating Procedure (SOP) [REDACTED] dispute is defined as a disagreement between the card holder and the merchant regarding items appearing on the card holder's monthly statement of account. This figure represents the sum of all disputed charges processed under multiple card holders during the scope of our audit.



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### **Write us:**

*United States Capitol Police  
Attn: Office of Inspector General  
499 South Capitol St. SW, Suite 345  
Washington, DC 20003*



### **Or visit us:**

*499 South Capitol Street, SW, Suite 345  
Washington, DC 20003*



You can also contact us by email at: [OIG@USCP.GOV](mailto:OIG@USCP.GOV)

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