



Examination of Federal Bureau of Prisons' Purchase Card Transactions



AUDIT DIVISION

21-021

DECEMBER 2020



EXECUTIVE SUMMARY

Examination of Federal Bureau of Prisons' Purchase Card Transactions

Objective

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) provides the safeguards and internal controls required of executive agencies for the management of government charge cards. In addition, under the authority of the Charge Card Act, the Office of Management and Budget (OMB) prescribed additional guidance for governing the implementation of the Charge Card Act's requirements and issued OMB Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs* (OMB A-123, Appendix B). The Charge Card Act and OMB A-123, Appendix B, also require Inspector Generals to perform analyses or audits, as necessary, of purchase card transactions.

The objective of this examination was to determine whether Federal Bureau of Prisons' (BOP) purchase card transactions for the 9 months ended December 31, 2019, were in accordance with the specified requirements of OMB A-123, Appendix B.

Results in Brief

The OIG found that the BOP's purchase card transactions for the 9 months ended December 31, 2019, were in accordance with the specified requirements of OMB A-123, Appendix B, in all material respects. However, the OIG identified a significant deficiency in the controls over BOP's purchase card transactions.

Recommendations

Our report includes four recommendations to improve controls over BOP's purchase card transactions. The BOP agreed with all our recommendations.

Examination Results

The examination resulted in an unmodified opinion on BOP's purchase card transactions for the 9 months ended December 31, 2019. An unmodified opinion means that the purchase card transactions were in accordance, in all material respects, with the specified requirements of OMB A-123, Appendix B.

We performed tests of the BOP's purchase card transactions for the 9 months ended December 31, 2019. Our tests included a statistical sample of purchase card transactions to determine whether the transactions were in accordance with the specified requirements in OMB A-123, Appendix B. If a transaction did not meet all the specified requirements, we considered the transaction to be in error. The results of our statistical projection indicate that we are 95 percent confident that the overall error rate for the population of transactions is between 8.95 percent and 18.60 percent.

We also performed data analytics on cardholder accounts using the specified requirements in OMB A-123, Appendix B.

The deficiencies identified consist of the following:

- Controls over processing transactions and managing cardholder accounts were not always sufficient to ensure that transactions were in accordance with OMB A-123, Appendix B, and BOP policy.
- 44 percent of the sample of BOP's transactions applicable to sustainability requirements were not supported by documentation to determine whether a justification existed for not meeting those requirements.
- 30 percent of the sample of BOP's transactions applicable to mandatory source requirements were made using a non-mandatory source without documentation available to support whether there was justification for using a non-mandatory source.
- Data analytics of over 5,000 active BOP purchase cardholders identified that 186 cardholders, or 3.7 percent, had not completed purchase card training within required timeframes.

EXAMINATION OF FEDERAL BUREAU OF PRISONS'
PURCHASE CARD TRANSACTIONS

TABLE OF CONTENTS

INTRODUCTION 1

 Background 1

 Examination Approach 2

INDEPENDENT REPORT ON THE FEDERAL BUREAU OF PRISONS' PURCHASE CARD
TRANSACTIONS..... 3

 Schedule of Findings 6

APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY 13

APPENDIX 2: STATISTICAL SAMPLING DESIGN AND ESTIMATION 16

APPENDIX 3: SUMMARY OF RESULTS FOR EACH OMB A-123, APPENDIX B,
REQUIREMENT TESTED 18

APPENDIX 4: FEDERAL BUREAU OF PRISONS RESPONSE TO THE DRAFT REPORT 20

APPENDIX 5: OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF
ACTIONS NECESSARY TO CLOSE THE REPORT 22

EXAMINATION OF FEDERAL BUREAU OF PRISONS' PURCHASE CARD TRANSACTIONS

INTRODUCTION

Background

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) provides the safeguards and internal controls required for the management of government purchase cards. In addition, under the authority of the Charge Card Act, the Office of Management and Budget (OMB) prescribed additional guidance for governing the implementation of the Charge Card Act's requirements and issued Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs* (OMB A-123, Appendix B).¹ The Charge Card Act and OMB A-123, Appendix B, both require Inspector Generals to perform analyses or audits, as necessary, of purchase card transactions.

The government purchase card offers many benefits for the Federal Government and taxpayers. Some of the benefits include:

- Reducing administrative costs and time for purchasing and paying for goods and services.
- Supporting front-line program delivery personnel in acquiring supplies and services quickly, while permitting contracting professionals to focus on acquisitions where their training and skills are most productively applied.
- Improving financial, administrative, and other benefits offered to the government by charge card providers and other entities, including maximizing refunds where appropriate.²

The U.S. Department of Justice Federal Bureau of Prisons (BOP) began using the purchase card for acquisitions under \$2,500 in 1996. The use of the purchase card has increased dramatically since 1996 and currently there are four types of purchase cardholders in BOP:

- Purchase cardholders with delegated authority up to the micro-purchase threshold, which is currently \$10,000.
- Inventory Management Specialists and Property and Procurement Specialists with delegated authority up to \$25,000.
- Commissary Trust Fund cardholders with delegated authority up to \$30,000.

¹ OMB issued a revision of Appendix B, to OMB Circular A-123 on August 27, 2019 which replaced and rescinded the previously issued OMB Circular A-123 Appendix B, dated January 2009, as well as OMB Memorandum M-13-21 dated September 2013.

² Source: OMB A-123, Appendix B.

- Contracting Officers with delegated authority up to their warrant, but not to exceed the simplified acquisition threshold, which is currently \$250,000.

The BOP uses the purchase card for a wide variety of supplies and services to operate and maintain prison facilities; to operate and maintain prisoner commissaries; to provide for prisoners' food, clothing, and medical treatment; as well as to manage BOP offices and training centers.

Examination Approach

The objective of this examination was to determine whether the BOP's purchase card transactions for the 9 months ended December 31, 2019, were in accordance with the specified requirements in OMB Circular A-123, Appendix B.

During the 9 months ended December 31, 2019, over 5,000 BOP purchase cardholders made over 230,000 transactions totaling about \$420 million. Over 98 percent of these purchases were made at BOP prison facilities, with the remaining made at BOP offices and training centers.

We performed detailed testing on a simple random sample of transactions, to determine whether the transactions met the specified requirements contained within OMB A-123, Appendix B. This sample included 196 transactions totaling \$328 thousand. If a transaction did not meet all specified requirements, we considered the transaction to be in error. We also performed data analytics on cardholder accounts for specified requirements found in OMB A-123, Appendix B. Additional information about our approach to this examination is included in Appendix 1.



INDEPENDENT REPORT ON THE FEDERAL BUREAU OF PRISONS' PURCHASE CARD TRANSACTIONS

Director
Federal Bureau of Prisons

Report on the Subject Matter

We have examined the purchase card transactions for the 9 months ended December 31, 2019, of the U.S. Department of Justice Federal Bureau of Prisons (BOP) to determine whether the transactions were in accordance with the following requirements defined in OMB Circular No. A-123, Appendix B, Revised, *A Risk Management Framework for Government Charge Card Programs* (OMB A-123, Appendix B), issued under the authority of the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act).

- Transaction was supported by proper requisition documentation.
- Transaction amount agreed to supporting documentation.
- Documentation of the approval of the purchase and certification of funds availability was obtained prior to making the transaction.
- Cardholder was not the approver of their own transaction.
- Transaction was not for the purchase of prohibited goods and services.
- Transaction did not exceed the cardholder's delegated authority.
- Transaction was not outside of the cardholder's business line of authority.
- Transaction was properly exempted from state taxes in all 50 states and U.S. territories.
- Transaction was not part of a split purchase.
- Transaction was made by a valid BOP purchase cardholder.
- Transaction met the Information and Communication Technology requirements under Section 508 of the Rehabilitation Act.
- Transaction met the sustainability requirements per the Federal Acquisition Regulation (FAR).
- Transaction met the mandatory source requirements per the FAR.
- Purchase cardholders with transaction activity met the training requirements.
- Purchase card accounts were closed for separated employees.

The BOP's management is responsible for ensuring the purchase card transactions were in accordance with OMB A-123, Appendix B. Our responsibility is to express an opinion on the BOP's purchase card transactions, based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether BOP's purchase card transactions were in accordance with the specified requirements of OMB A-123, Appendix B, in all material respects. An examination involves performing procedures to obtain evidence about the BOP's purchase card transactions for the 9 months ended December 31, 2019. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the BOP's purchase card transactions for the 9 months ended December 31, 2019, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating any additional requirements within OMB A-123, Appendix B. Accordingly, we do not express an opinion or any other form of assurance on OMB A-123, Appendix B, requirements beyond the specified requirements.

In our opinion, the purchase card transactions of the U.S. Department of Justice Federal Bureau of Prisons for the 9 months ended December 31, 2019, were in accordance with the specified requirements of OMB A-123, Appendix B, in all material respects.

Other Reporting Required by Government Auditing Standards

Internal Control over the Purchase Card Transactions

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the purchase card transactions; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the purchase card transactions. We are also required to obtain and report the views of responsible officials concerning the finding, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the BOP's purchase card transactions for the 9 months ended December 31, 2019, were in accordance with OMB A-123, Appendix B, and not for the purpose of expressing an opinion on the internal control over the purchase card transactions or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a finding that is required to

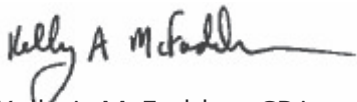
be reported under *Government Auditing Standards* and that finding is described in the accompanying Schedule of Findings.

The BOP's Response to the Finding

The BOP's response to the finding identified in our examination is presented in Appendix 4. The BOP's response was not subjected to the procedures applied in the examination of the BOP's purchase card transactions and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is to communicate the results of our examination of the BOP's purchase card transactions. This report is not suitable for any other purpose.



Kelly A. McFadden, CPA
Director, Financial Statement Audit Office
Office of the Inspector General
U.S. Department of Justice
Washington, DC

December 17, 2020

Schedule of Findings

Significant Deficiency: Improvements are Needed in Controls over BOP's Purchase Card Transactions

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in the purchase card transactions on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement in purchase card transactions will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. In aggregate, we consider the deficiencies discussed below to be a significant deficiency. Management's response to our recommendations is included in Appendix 4. The results of our statistical projection indicate that we are 95 percent confident that the overall error rate for the population of transactions is between 8.95 percent and 18.60 percent. The deficiencies identified consist of the following:

- Controls over processing transactions and managing cardholder accounts were not always sufficient to ensure that transactions were in accordance with OMB A-123, Appendix B, and BOP policy.
- 44 percent of the sample of BOP's transactions applicable to sustainability requirements were not supported by documentation to determine whether a justification existed for not meeting those requirements.
- 30 percent of the sample of BOP's transactions applicable to mandatory source requirements were made using a non-mandatory source without documentation available to support whether there was justification for using a non-mandatory source.
- Data analytics of over 5,000 active BOP purchase cardholders identified that 186 cardholders, or 3.7 percent, had not completed purchase card training within the required timeframes.

Table 1 shows the number of exceptions identified during our testwork. A complete summary of test results for the specified requirements from OMB A-123, Appendix B, can be found at Appendix 3.

Table 1
Exceptions Identified

OMB A-123, Appendix B, Requirement	Number of Exceptions from Sample of 196 Transactions	Number of Exceptions from Data Analytics
<i>Processing Transactions and Managing Cardholder Accounts</i>		
The transaction was supported by proper requisition documentation.	2 ¹	n/a
The transaction amount agreed to supporting documentation.	3	n/a
Documentation of the approval of the purchase and certification of funds availability was obtained prior to making the transaction.	10	n/a
Transaction did not exceed the cardholder's delegated authority.	1	n/a
Transaction was not part of a split purchase.	1	n/a
Purchase card accounts were closed for separated employees.	n/a	1
<i>Sustainability and Mandatory Source Requirements</i>		
Transaction met the sustainability requirements per the FAR.	12	n/a
Transaction met the mandatory source requirements per the FAR.	35	n/a
<i>Cardholder Training</i>		
Purchase cardholders with transaction activity met the training requirements.	n/a	186

¹ BOP could not provide any documentation for these two transactions.

Source: OIG Testing Results

Processing Transactions and Managing Cardholder Accounts

BOP's internal controls over the purchase card transactions were not always sufficient to ensure that transactions were in accordance with OMB A-123, Appendix B, and BOP policy. During both

our sample testing and data analytics, we noted weaknesses in processing transactions and managing cardholder accounts. The deficiencies noted are included in Table 1.

Chapter 2 of OMB A-123, Appendix B, provides that purchase card internal controls be established and monitored over the following four processes: purchase card applications, transactions, review and approval, and charge card management. The Bureau of Prisons Acquisition Policy (BPAP) addresses these controls.

Section 3 of the *GAO Standards for Internal Control in the Federal Government* states:

Based on the results of the summary determination for each principle, management concludes on the design, implementation, and operating effectiveness of each of the five components of internal control. Management also considers if the five components operate together effectively. If one or more of the five components are not effectively designed, implemented, or operating effectively or if they are not operating together in an integrated manner, then an internal control system is ineffective.

Management's controls over the purchase card program failed to detect that cardholders' transactions were not consistently following established policy or that a purchase card account remained opened for a separated employee. Without effective monitoring controls in place, there is an increased risk that the purchase card program is not operating as intended or that improper or fraudulent purchases can be made.

We recommend that BOP management:

1. Re-enforce its control program over purchase card transactions, emphasizing the requirement that purchases obtain pre-approval, are supported by documentation, do not exceed the amount of the cardholder's delegated authority, and are not split to evade the cardholder's delegated authority; and that purchase card accounts are timely closed for separated employees.

Sustainability and Mandatory Source Requirements

Sustainability Requirements

Within our sample of 196 transactions, we noted that 12 of 27 transactions, or 44 percent, that were applicable to the sustainability requirements were not supported by documentation to determine whether a justification existed for not meeting those requirements. Some examples of the items purchased included interior paint that was not

22% biobased, disposable tableware that was not 72% biobased, printer cartridges that were not remanufactured, and file folders that were not 30% postconsumer fiber.

Chapter 10.1 of OMB A-123, Appendix B, provides that each agency must account for the sustainability of products procured with purchase cards consistent with the FAR. FAR Part 23 further outlines the sustainable acquisition requirements for energy-efficient, water-efficient, biobased, environmentally preferable, non-ozone depleting, or made with recovered materials. Additionally, FAR 23.4 and BPAP require a written justification for procuring designated items containing less than the minimum content standards.

BOP cardholders did not always follow the FAR, OMB guidance, or BOP Policy when procuring items that must adhere to sustainability requirements. Additionally, without documentation to support the justification for making a purchase that did not meet the sustainability requirements, an audit trail does not exist to show compliance and increases the risk that cardholders could intentionally and inappropriately make undetected purchases for products that do not meet the sustainability requirements. As a result, BOP may not be meeting the Federal government's goals of energy and environmental sustainability.

Mandatory Source Requirements

The BOP could not support whether purchase card transactions were in accordance with mandatory source requirements. Within our sample of 196 transactions, the mandatory source requirement was applicable to 118 transactions. We noted that 35 of 118 transactions, or 30 percent, may not have met the mandatory source requirement because the items were purchased from a non-mandatory source without documentation available to support whether there was justification for using the non-mandatory source. The items purchased with these 35 transactions are normally available through a mandatory source, but were instead purchased through a commercial source. Examples of the items purchased include office supplies, printer cartridges, and cleaning supplies normally available from AbilityOne; and a dry erase board, power washer, and a dual monitor arm mount normally available from GSA Global Supply.³

Section 2.4.3 of OMB A-123, Appendix B, provides that purchase card transactions must meet the FAR requirements for mandatory sources. FAR Part 8.002 provides a hierarchy in descending order of priority of sources from which agencies are to procure goods and

³ The AbilityOne Program (formerly Javits-Wagner-O'Day or "JWOD") provides employment opportunities for people who are blind or have other disabilities. Approximately 500 nonprofit organizations employ these individuals and provide quality products and services to the Federal Government at a fair market price.

services before making any purchase on the open market, or a non-mandatory source. Per the FAR hierarchy, AbilityOne and GSA Global Supply are mandatory sources that should be used prior to non-mandatory sources.

Additionally, Section 4 of the *GAO Standards for Internal Control in the Federal Government* provides that documentation is necessary for the effective design, implementation, and operating effectiveness of an entity's internal control system.

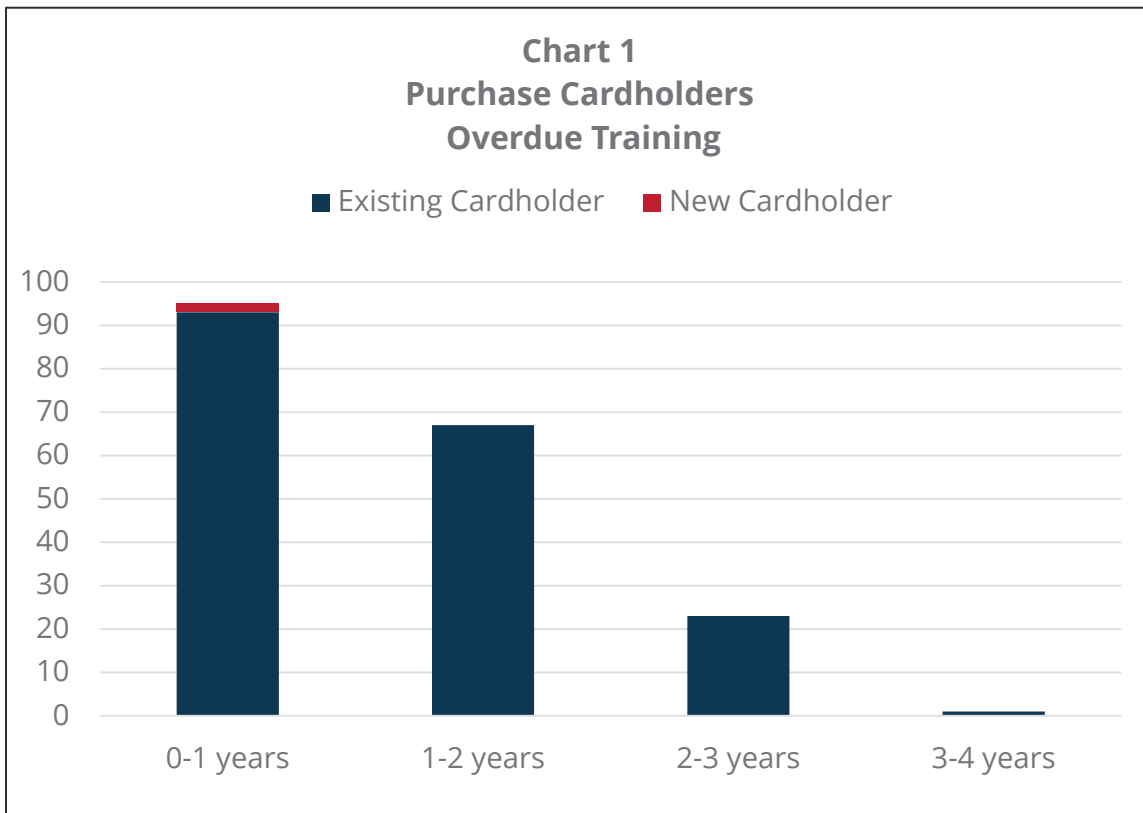
Although neither the FAR nor BOP requires purchase cardholders to document justification of purchases from a non-mandatory source, without such documentation, an audit trail does not exist to show compliance with mandatory source requirements according to OMB A 123, Appendix B, and the FAR. Additionally, it increases the risk that cardholders could intentionally and inappropriately use a non-mandatory source undetected.

We recommend that BOP management:

2. Require written explanations to be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements.
3. Re-enforce the requirement that written explanations be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements through BOP's purchase card training.

Cardholder Training

BOP purchase cardholders made purchase card transactions without having completed the required purchase card training. During our testwork of 5,013 BOP purchase cardholders with purchase activity during the 9 months ended December 31, 2019, we noted 186 cardholders, or 3.7 percent, had not completed purchase card training within the required timeframes. We determined that 2 new cardholders did not take the required training prior to their appointment as a purchase cardholder, and 184 existing cardholders had not met the biennial refresher training requirement as required by BOP policy. See Chart 1 for the timeframes in which the training was overdue.



Section 4.4 of OMB A-123, Appendix B, outlines the general training requirements for all charge cards, and requires cardholders be trained prior to appointment and for cardholders to take refresher training in accordance with agency policy, but, at a minimum, every 3 years. BOP's policy is for refresher training every 2 years. Additionally, Principle 10 of the GAO *Standards for Internal Control in the Federal Government* provides that detective controls are designed to discover when an entity is not achieving an objective or addressing a risk before the entity's operation has concluded and corrects the actions so that the entity achieves the objective or addresses the risk.

The BOP Human Resource Office (HR) at BOP's central office manages the Bureau Learning University system, which provides and tracks purchase card training. HR offices at the institution or regional level then monitor training compliance. However, the control to monitor training compliance did not operate effectively. Existing cardholder accounts were not suspended, and new cardholder accounts were activated, when the training requirement had not been met.

As a result of not completing the required training, there is an increased risk of BOP cardholders making improper purchases. The risk is higher for new cardholders who would be making purchases prior to receiving any training.

We recommend that BOP management:

4. Enhance monitoring controls to ensure that purchase cards are not issued to new cardholders prior to them completing the required training and purchase cards are suspended for existing cardholders who have not met the biennial training requirement.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this examination was to determine whether the U.S. Department of Justice Federal Bureau of Prisons' (BOP) purchase card transactions were in accordance with the specified requirements of OMB Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs* (OMB A-123, Appendix B). OMB A-123, Appendix B, requires Inspector Generals to perform analyses or audits, as necessary, of purchase card transactions.

Scope and Methodology

The OIG performed an examination of BOP's purchase card transactions for the 9 months ended December 31, 2019. For the 9 months ended December 31, 2019, over 5,000 BOP purchase cardholders made approximately 230,000 purchase card transactions totaling about \$420 million. Over 98 percent of these purchases were made at BOP prison facilities, with the remaining being made at BOP offices and training centers.

We gained an understanding of the processes, systems, and controls in place surrounding the BOP purchase card program by reviewing BOP policy documents and training courses' content, and interviewing BOP officials of the purchase card program.

We performed detailed testing on a simple random sample of transactions, to determine whether the transactions were in accordance with OMB A-123, Appendix B. For each of the 196 sample units selected, we determined whether the transaction was in accordance with the specified requirements listed below. If the transaction did not meet all these requirements, we considered the transaction to be in error and not be in accordance with OMB A-123, Appendix B. We are 95 percent confident that the overall error rate for the population of transactions is between 8.95 and 18.60 percent. Appendix 2 discusses the statistical sampling design and estimation.⁴

- Transaction was supported by proper requisition documentation.
- Transaction amount agreed to supporting documentation.
- Documentation of the approval of the purchase and certification of funds availability was obtained prior to making the transaction.

⁴ Although we tested with compliance with mandatory source as part of our sample testing, the results were not included in the statistical projection. The FAR does not require compliance with mandatory source to be documented or for noncompliance to have a written justification. Thus, there was no evidence for the OIG to review to determine whether there was compliance. However, we were able to determine whether there was a mandatory source that was available for the item(s) purchased, thus questioning whether the purchase complied with the mandatory source requirement.

- Cardholder was not the approver of their own transaction.
- Transaction was not for the purchase of prohibited goods and services.
- Transaction did not exceed the cardholder's delegated authority.
- Transaction was not outside of the cardholder's business line authority.
- Transaction was properly exempted from state taxes in all 50 states and U.S. territories.
- Transaction was not part of a split purchase.
- Transaction was made by a valid BOP purchase cardholder.
- Transaction met the Information and Communication Technology requirements under Section 508 of the Rehabilitation Act.
- Transaction met the sustainability requirements per the Federal Acquisition Regulation (FAR).
- Transaction met the mandatory source requirements per the FAR.

For each transaction tested, BOP provided the following documentation, as applicable: requisition, invoice, receipt, packing slip, monthly statement, cardholder's Delegation of Authority, and dispute documentation. We reviewed this documentation to test the first 8 requirements listed above.

To determine whether the transaction was not part of a split purchase, we scanned the monthly statement to see if there were other transactions with the same vendor, on the same day, that exceeded the cardholder's delegated authority. If there were, we obtained documentation for the other transactions to review.

To determine if the purchase cardholder was a valid employee, we compared the cardholder's full name with BOP payroll data for the 9 months ended December 31, 2019, confirming whether the cardholder was a BOP employee at the time of the transaction.

To determine compliance with Section 508 of the Rehabilitation Act, the mandatory source requirement, and sustainability requirements, we consulted a combination of the following sources: GSA Advantage!® website, AbilityOne website, GSA Green Procurement Compilation website, and GSA Section 508 website.

We also performed data analytics cardholder accounts to determine whether certain conditions existed in the data that would indicate an exception to the specified requirements within our scope:

- Cardholders with transaction activity met the training requirements. We examined cardholder's completion of training requirements by obtaining a download of the training history of cardholders from BOP's Bureau Learning University system for the period

FY 2015 – FY 2019. We analyzed this data and followed up with BOP for additional documentation to determine whether cardholders had taken training in the time frames required per OMB A-123, Appendix B.

- Purchase card accounts were closed for separated cardholders. We obtained a download of payroll data of separated BOP employees for the 9 months ended December 31, 2019, and compared this data with the universe of cardholders. We then determined if there was any subsequent activity after the cardholder separated and followed up with BOP.

The OIG conducted our examination and prepared our report in accordance with attestation standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we obtain reasonable assurance about whether the BOP's purchase card transactions were in accordance with provisions of laws, regulations, or contracts that have a material effect on the BOP's purchase card transactions. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

STATISTICAL SAMPLING DESIGN AND ESTIMATION

Sample Design

The U.S. Department of Justice Federal Bureau of Prisons (BOP) submitted a datafile consisting of a population of 239,224 BOP purchase card transactions that occurred during the 9 months ended December 31, 2019. Purchase card transactions categorized as payments, miscellaneous debits, or miscellaneous credits, and purchases with negative transaction amounts were removed from the population to create the sampling frame of 230,384 transactions.

Simple random sampling was used for sample selection where the probability of selection was the same for each transaction. This sampling method was deemed appropriate since there were no major trends or patterns in the universe of transactions. Using a 95 percent confidence level, an expected error rate of 15 percent, and a margin of error of 5 percent, our sample size was determined to be 196 transactions.

Equation (1) was used to compute the initial sample size.

$$(1) \quad n_0 = \frac{z^2 p(1-p)}{E^2}$$

where the estimates used to compute the sample size are defined below.

$z = 1.96$ - the critical value for the specified level of confidence

$p = .15$ - the expected error rate

$E = 0.05$ - the margin of error

Equation (2) applied the finite population correction resulting in the final sample size.

$$(2) \quad n = \frac{n_0}{1 + \frac{(n_0-1)}{N}}$$

where the sample universe N consisted of 230,384 transactions. The final sample consisted of 196 transactions.

Estimation of Error Rate

The auditors tested each sample transaction to determine whether the transaction complied with OMB A-123, Appendix B. If the transaction did not comply, it was counted as an error. All errors were then summed and divided by the sample total to compute the sample error rate. The sample error rate is defined as the frequency of transactions tested that were in error. Table 2 shows the count and percentage of the attribute test results from the sample of 196 transactions.

Table 2
Sample Test Results

Transaction Classification	Frequency	Percentage
Error	27	13.78%
No Error	169	86.22%
Total	196	100%

Source: OIG Testing Results

The sample error rate is 13.78 percent and approximates the population error rate. Using the sample error rate, we estimated a range of population error rates with a 95 percent confidence interval. The results indicate with a 95 percent level of confidence that the true population error rate is between 8.95 and 18.60 percent.

The 95% confidence interval estimate was computed using equation (3).

$$(3) \quad \hat{p} \pm (z_{\alpha} * \sqrt{\frac{\hat{p}(1-\hat{p})}{n}})$$

where the estimates used to construct the confidence interval estimate are defined below.

$\hat{p} = .1378$ - the sample error rate

$z_{\alpha} = 1.96$ - the critical value for the specified level of confidence

$n = 196$ - the sample size of transactions

SUMMARY OF RESULTS FOR EACH OMB A-123, APPENDIX B, REQUIREMENT TESTED

OMB A-123, Appendix B, Requirement	Number of Exceptions from sample of 196 Transactions	Included in Projection	Exception Occurred as Part of a Transaction with >1 Exception*	Number of Exceptions from Data Analytics
Transaction was supported by proper requisition documentation.	2	Y	N	n/a
Transaction amount agreed to supporting documentation.	3	Y	Y	n/a
Documentation of the approval of the purchase and certification of funds availability was obtained prior to making the transaction.	10	Y	Y	n/a
Cardholder was not the approver of their own transaction.	0	Y	N	n/a
Transaction was not for the purchase of prohibited goods and services.	0	Y	N	n/a
Transaction did not exceed the cardholder's delegated authority.	1	Y	N	n/a
Transaction was not outside of the cardholder's business line of authority.	0	Y	N	n/a
Transaction was properly exempted from state taxes in all 50 states and U.S. territories.	0	Y	N	n/a
Transaction was not part of a split purchase.	1	Y	N	n/a
Transaction was made by a valid BOP purchase cardholder.	0	Y	N	n/a
Transaction met the Information and Communication Technology requirements under Section 508 of the Rehabilitation Act.	0	Y	N	n/a
Transaction met the sustainability requirements per the Federal Acquisition Regulation (FAR).	12	Y	Y	n/a
Transaction met the mandatory source requirements per the FAR.	35	N	n/a	n/a

Purchase cardholders with transaction activity met the training requirements.	n/a	n/a	n/a	186
Purchase card accounts were closed for separated employees.	n/a	n/a	n/a	1

*29 errors were detected within 27 transactions.

Source: OIG Testing Results

FEDERAL BUREAU OF PRISONS RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

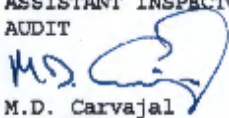
Federal Bureau of Prisons

Office of the Director

Washington, D.C. 20534

December 11, 2020

MEMORANDUM FOR JASON R. MALMSTROM
ASSISTANT INSPECTOR GENERAL
AUDIT

FROM: 
M.D. Carvajal
Director

SUBJECT: Response to the Office of Inspector General's (OIG)
Draft Report: Examination of Federal Bureau of
Prisons' Purchase Card Transactions

The Bureau of Prisons (BOP) appreciates the opportunity to provide a formal response to the Office of the Inspector General's above referenced report. The BOP has completed our review of the report and offer the following comments regarding the recommendations.

Recommendation One: Re-enforce its control program over purchase card transactions, emphasizing the requirement that purchases obtain pre-approval, are supported by documentation, do not exceed the amount of the cardholder's delegated authority, and are not split to evade the cardholder's delegated authority; and that purchase card accounts are timely closed for separated employees.

BOP's Response: The BOP agrees with this recommendation. The BOP will emphasize in a memorandum to all affected staff that purchases must have pre-approval, support documentation, be within the cardholder's delegated authority and are not split to evade the cardholder's delegated authority. Information will also be provided about the procedures to timely close accounts for separated employees. The BOP intends to complete this by second quarter of Fiscal Year 2021.

Recommendation Two: Require written explanations to be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements.

BOP's Response: The BOP agrees with this recommendation. The BOP will notify staff to provide written explanations when purchase card transactions do not meet the sustainability and mandatory source requirements. The BOP intends to have this complete by first quarter of Fiscal Year 2022 when the BOP implements the Unified Financial Management System.

Recommendation Three: Re-enforce the requirements that written explanations be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements through BOP's purchase card training.

BOP's Response: The BOP agrees with this recommendation. The BOP will emphasize the requirement that written explanations must be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements through purchase card training. The BOP intends to complete by the first quarter of Fiscal Year 2022 when the BOP implements the Unified Financial Management System.

Recommendation Four: Enhance monitoring controls to ensure that purchase cards are not issued to new cardholders prior to them completing the required training and purchase cards are suspended for existing cardholders who have not met the biennial training requirements.

BOP's Response: The BOP agrees with this recommendation. The BOP will enhance monitoring controls to ensure that purchase cards are not issued to new cardholders prior to them completing the required training and purchase cards are suspended for existing cardholders who have not met the biennial training requirement. The BOP intends to complete by first quarter of Fiscal Year 2022.

OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

The OIG provided a draft of this report to the Federal Bureau of Prison (BOP). BOP's response is incorporated in Appendix 4 of this final report. In response to our report, BOP agreed with our recommendations and discussed the actions it will implement in response to our finding. As a result, the status of the report is resolved. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendations for BOP:

1. **Re-enforce its control program over purchase card transactions, emphasizing the requirement that purchases obtain pre-approval, are supported by documentation, do not exceed the amount of the cardholder's delegated authority, and are not split to evade the cardholder's delegated authority; and that purchase card accounts are timely closed for separated employees.**

Resolved. BOP agreed with our recommendation. BOP stated in its response that it expects to issue a memorandum to all affected staff by the second quarter of Fiscal Year 2021 that will emphasize the controls over the purchase card transactions and purchase card accounts.

This recommendation can be closed when BOP provides a copy of the memorandum that emphasizes the controls over purchase card transactions and purchase card accounts.

2. **Require written explanations to be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements.**

Resolved. BOP agreed with our recommendation. BOP stated in its response that it will notify staff to provide written explanations when purchase card transactions do not meet the sustainability and mandatory source requirements. BOP intends to have this completed by the first quarter of Fiscal Year 2022 when BOP implements the Unified Financial Management System.

This recommendation can be closed when subsequent OIG testing verifies that written explanations have been documented for purchase card transactions that do not meet the sustainability and mandatory source requirements.

3. Re-enforce the requirement that written explanations be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements through BOP's purchase card training.

Resolved. BOP agreed with our recommendation. BOP stated in its response that it will emphasize the requirement that written explanations must be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements through its purchase card training. BOP intends to have this completed by the first quarter of Fiscal Year 2022 when BOP implements the Unified Financial Management System.

This recommendation can be closed when BOP provides a copy of the updated training slides that include the requirement that written explanations must be documented for purchase card transactions that do not meet the sustainability and mandatory source requirements.

4. Enhance monitoring controls to ensure that purchase cards are not issued to new cardholders prior to them completing the required training and purchase cards are suspended for existing cardholders who have not met the biennial training requirement.

Resolved. BOP agreed with our recommendation. BOP stated in its response that it will enhance monitoring controls to ensure that purchase cards are not issued to new cardholders prior to them completing the required training and purchase cards are suspended for existing cardholders who have not met the biennial training requirements. The BOP intends to complete this by first quarter of Fiscal Year 2022.

This recommendation can be closed when subsequent OIG testing verifies that BOP purchase cardholders have met the required training requirements.