



March 11, 2002

OIG Report 02-18(H)

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director

SUBJECT: Memorandum Survey Report—Review of Credit Card and Travel
Charge Card Use

PURPOSE

The purpose of our review was to evaluate the effectiveness of controls ARC has in place over the use of credit cards and travel charge cards.

SCOPE

Our review included an evaluation of ARC's relevant policies and procedures as contained in its *Financial Management Guidelines*, and discussions with cognizant ARC officials. We performed detailed reviews of samples of transactions made with both types of cards. Our sample of credit card transactions included all purchases made during the 3-month period ended August 21, 2001. Our sample of travel charge card transactions was selected judgmentally to ensure representation of employees from all organizational units within ARC. It included 8 of the 17 ARC employees with transactions during the month ended August 21, 2001. These transactions accounted for 66% of the dollar value of all transactions during that period. We also reviewed the 40 transactions made using ARC's corporate travel charge card account during the same time period. The review was conducted by A.J. Pasden and Associates Inc.

BACKGROUND

ARC is a non-mandatory user of the General Service Administration's Smart Pay program for both credit cards and travel charge cards. The *ARC Financial Management Guidelines*, dated November 15, 2000, identify the applicable policies and procedures for use of both types of cards.

Almost all ARC procurements are classified as small under GSA's current definition (under \$100,000), and, as stated in the *Guidelines*, credit cards are the preferred method of payment for small purchases. The total dollar value of all ARC credit card purchases is normally between \$225,000 and \$250,000 per year.

The ARC designates employees who are frequent travelers and who may make use of a travel card for their individual use. As of August 28, 2001, 36 ARC employees were so designated. The ARC also maintains a centrally billed card for paying travel expenses that it prefers to have directly billed to ARC. This card is primarily being used to

purchase airline tickets for all employees needing them for official travel. ARC currently uses the GSA contract with Citibank Corp. to provide VISA travel card services, with administrative assistance from the Department of Commerce BankCard Center. The purposes of the government travel card program are to make it easier for travelers to purchase travel related services, to improve federal cash management; to reduce the traveler's need to carry cash, and to enable ARC to benefit from rebates by government charge card contractors.

RESULTS

The policies and procedures regarding purchase and travel cards, contained in the *ARC Financial Management Guidelines*, provide adequate controls to ensure proper use of those cards. Our review found some instances where the application of those controls could be improved and that procedures for documenting receipt of goods and services purchased with credit cards could be identified.

Credit Cards

We noted that ARC employees were not always following the Commission's policies and procedures when making credit card purchases. Although we did not identify ineligible purchases and recognize that overall dollar values were relatively small, the identification of procedures that were not implemented reflects a need to emphasize and ensure conformance with established procedures.

ARC's *Guidelines* specify all requests for purchases must be in writing and approved by the appropriate Approving Official. The Executive Director authorizes specific cardholders to purchase certain goods and services up to a single transaction and monthly limit, and designates an Approving Official for each cardholder. Currently, 8 people are authorized to be cardholders and 8 others are designated as Approving Officials. The Director of Finance and Administration, the Financial Manager, and the Program Budget Analyst are the only designated alternates for Approving Officers.

The *Guidelines* also state cardholders are to retain documentation of each requisition, appropriate approval for purchase, and receipts to support payment of monthly credit card statements, which are billed and paid centrally. The Approving Officials are responsible for reviewing the propriety of purchases on each statement, forwarding statements to accounts payable, and promptly reporting any misuse of a card to proper officials.

Also, Contracting Officers are responsible for determining that purchases are reasonably competitive and advantageous to ARC. Solicitations are not required for purchases under \$2,500 if the Contracting Officer determines the price is reasonable. For purchases between \$2,500 and \$25,000, the *Guidelines* call for oral or electronic solicitations from three or more potential vendors. Price quotations may be taken from standing price lists, catalogs, or sales ads if they are current. Informal notes identifying vendors and prices, or other bases of selection, are sufficient documentation.

We reviewed a sample of 137 credit card transactions during the 3-month period ended August 21, 2001. Many of the transactions involved multiple purchases; and

the value of the purchases was \$72,430. As noted, ineligible purchases were not identified; but the following weaknesses reflect the need for corrective actions.

- Some transactions were not documented in ARC files.
- Some files did not contain a purchase authorization.
- Some files indicated that requisitions were signed after the purchases were made.
- Some transactions did not have proper Approving Official's signature on the requisition.
- Documentation of solicitation efforts was not available for some purchases in excess of \$2,500.
- Documentation of the receipt of goods and services was limited.

An analysis of the transactions and documentation indicated that omissions were applicable to various staff but that representatives of the Federal and State Offices were particularly deficient with respect to implementation of purchase procedures.

The review also disclosed that the person responsible for small local purchases of supplies utilized sales discounts and coupons to the maximum extent, resulting in significant savings. For example, coupon discounts of \$1,029 were noted for the period July through August 2001 for purchases that totaled \$6,196.

As previously noted, we recognize the limited dollar value small purchase comprises, but nonetheless recommend that ARC staff adhere to the guidance provided in the *Financial Management Guidelines*. ARC management should remind all employees of their responsibilities as prescribed in the *Guidelines*.

A prior review, dated October 28, 1999, recommended ARC improve its procedures for documenting receipt of goods and services. We continue to believe that recommendation is appropriate and should be implemented.

Additionally, we recommend that all parties served by the ARC Finance Office adhere to the procurement policies and procedures contained in the *ARC Financial Management Guidelines*.

Travel Charge Cards

With the exception of one instance, ARC employees in our sample were complying with the *Guidelines*. Our sample consisted of 54 transactions made by 8 employees during the month ended August 28, 2001. The value of those transactions was \$4,116. In total during the period, 17 ARC employees made 91 transactions valued at \$6,277.

The exception involved one employee who made five purchases, valued at \$858, not related to official travel. The employee paid the amount to the credit card provider, and ARC was not damaged financially. ARC management was aware of the situation before we brought it to their attention, and had already initiated actions notifying the

employee, and his supervisor, of the violation. This was a first-time occurrence and ARC's actions appear appropriate based on guidance provided by GSA.

In all other transactions in our sample, we verified that the employees were in official travel status at the time they were made, and the goods and services they purchased were appropriate. In two cases, employees had not submitted travel vouchers timely.


We also verified that all 40 transactions made with ARC's corporate travel charge card during the 30-day period ended August 21, 2001, were appropriate under the *Guidelines*, as well as, properly authorized and executed. These transactions were valued at \$16, 861.

A comparison of travel with billings indicated three instances where credits from the travel agency appeared appropriate as a result of changed itineraries. Followup in these instances to ensure application of eligible credits is appropriate. The cases involved two trips canceled because of September 11, 2001 occurrences and one trip where flights were changed during a trip.

ARC Actions

The following actions were noted as being considered by management as modification to the procedures in the *ARC Financial Management Guidelines*.

- Executive Director delegates specific procurement authority to cardholders: Single purchase and monthly limits; limitations on types of purchases.
- Customer completes a requisition request or verbally requests items, and cardholder records the request.
- If purchase is outside routine scope of cardholder's authority, Division Director or other delegated approval authority must approve requisition. Purchases over the Government micropurchase limit (\$2,500) require approval by Executive Director or Finance Director.
- Any purchase of computers, software, or furniture requires approval of requisition by Finance Director.
- Cardholder buys ordered materials.
- Cardholder or customer initials shipping document or requisition to evidence receipt of goods or services as ordered.
- Cardholder retains requests and other backup and forwards receipts with monthly invoice to approving officer.


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