



March 30, 2015

To: Federal Co-Chairman  
ARC Executive Director  
ARC General Counsel  
ARC Director of Finance and Administration

From: Hubert Sparks, Inspector General

Subject: Memorandum Report 15-15, Assessment of Purchase Credit Card use in FY 2014

**Purpose**

We performed an assessment of the use of purchase cards in FY2014 to determine whether there were safeguards and internal controls in place to reduce the potential risk of illegal, improper, or erroneous purchases and payments, and to evaluate the implementation of the policies and procedures in place for the administration and use of the purchase credit cards.

**Scope**

Our review included ARC's relevant policies and procedures contained in the Financial Management Guidelines dated August 8, 2012, and a sample of purchases and payments made by each cardholder covering two monthly reporting periods. We expanded the sample to include all purchase cardholders not included in the two reporting periods. There were 494 purchase transactions for FY 2014, totaling almost \$226,000. There were eight purchase cardholders (including the fleet purchase card) that made purchases during FY 2014 and there were three approving officials responsible for the oversight of the eight purchase cardholders. We reviewed a sample of 148 purchase card transactions that included \$50,074.

**Background**

The ARC Guidelines, dated August 8, 2012 state in the Introduction Section that ARC is not a federal executive agency as normally defined in the U.S. Code. Therefore legislation and regulations typically applicable to federal agencies do not apply to ARC. Although ARC is not technically a federal agency it is a "designated" federal entity under the Inspector General Act.

ARC generally follows federal guidance in financial management affairs to the extent it is consistent with the special mission and nature of the Commission and the economy and efficiency of agency operations. Also, the General Services Administration considers ARC a non-mandatory user of GSA sources of supply and services.

The Procurement Section of the Guidelines provides the policies and procedures associated with the use of purchase cards. It contains the authority and Principles, functions and responsibilities of cardholders and approving officials and contracting officers. The Small Purchases subsection indicates that almost all ARC procurements are small and fall within the GSA range for simplified acquisition procedures, which includes micro purchases. As stated in the Guidelines and Federal guidance purchase credit cards are the preferred method of payment for small purchases. Although the Commission is not subject to the Federal Acquisition Regulations (FAR) that govern Federal agencies ARC considers the FAR in adopting, reviewing, and interpreting its procurement policy. It further discusses the Purchase Credit Card Program, the Purchase Credit Card Procedures, and includes Soliciting Competition and set Asides.

Appendix B of OMB Circular A-123 prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs.

The Commission is a non-mandatory user of the GSA Smart Pay Government Credit Card Program.

### **Summary**

Although our review disclosed no improper or inappropriate charges or payments our review found some instances where the policies and procedures were not followed and that the policy and procedures could also be clarified or expanded. We determined that cardholders utilized sales discounts, buy one get one free, and coupons resulting in savings and that there was no evidence that any purchases were split to bring larger purchases within the simplified acquisition threshold.

### **Details**

Although we did not identify any ineligible or inappropriate purchases, and recognize that the total dollar value of these purchases is not significant in relation to total dollars spent by the agency we noted that employees were not always following the Commission's policies and procedures when processing or making credit card purchases. We also noted areas where the policies and procedures could be updated, clarified and improved. The identification of these issues reflects the need for employees to follow established procedures to better assure that purchases remain proper and economical.

The general process in place is that when a purchase is to be made with a purchase credit card the requestor should complete the Requisition Form for Equipment, Supplies Services,

and obtain approval. The applicable cardholder will make the requisition, receive and distribute the items purchased. The cardholder receives the monthly statement form J.P. Morgan identifying the charges to the cardholders account. The cardholder reconciles the procurements made to the charge card and forwards for payment. Each monthly statement is reviewed on a charge-by-charge basis by the Director, Finance & Administration. After review it is processed for payment.

As part of our review we traced the procurements from the credit card statements to the supporting documentation and then to the forms for payment. As noted, ineligible and inappropriate purchases and payments were not identified, but we found several instances that established requirements were not always met which reflect the need for review, and where applicable, corrective action. An analysis of the transactions and documentation indicated that the noncompliance with current guidelines was applicable to various staff involved in the purchase card process and corrective action should be taken.

We recommend that the Director, Finance and Administration, and staff review the current policy and procedures to determine any necessary changes and improvements, and where appropriate, expand, clarify, or eliminate outdated requirements. As guidance in reviewing the policy and procedures we recommend the use of OMB Circular A-123, Management Responsibility for Internal Control, and Appendix B, Improving the Management of Government Charge Card Programs.

In addition to the above, the Memorandum providing "Government Purchase Card Authorizations" issued annually provided only a general description rather than the specific type of product or service to procure for several of the cardholders. The Director of Finance and Administration has revised the Memorandum and the Executive Director has signed it for official use.

Our review also disclosed a significant amount of equipment purchases that appear to qualify to be controlled in the Property Management System. The Director of Finance and Administration is updating the current policy and procedures for all property controlled by ARC.

Cardholders, as 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. Although quotations were not always obtained or recorded for purchases over \$2,500 we did not identify any purchases that appeared to be unreasonably priced.

We also noted that the Simplified Acquisition Threshold has been increased to \$150,000 and the micro purchase limit has been increased to \$3,000. Consideration should be made to include the new limits in the Financial Management Guidelines.

At the conclusion of the review the contents of the report was discussed with the Director, Finance and Administration who generally agreed with the information presented and is in the process of implementing additional changes.