



Audit Report



OIG-07-036

MANUFACTURING OPERATIONS: The Mint Has Taken Action to Improve Its Purchase Card Program (Corrective Action Verification on OIG-04-029)

April 5, 2007

Office of
Inspector General

Department of the Treasury

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Abbreviations

APC	agency program coordinator
CAV	corrective action verification
JAMES	Joint Audit Management Enterprise System
Mint	United States Mint
OIG	Office of Inspector General
OMSIC	Office of Management Support and Internal Control
PCA	planned corrective action

*The Department of the Treasury
Office of Inspector General*

April 5, 2007

Edmund C. Moy
Director
United States Mint

This report presents the results of our review of corrective actions taken by the United States Mint (Mint) in response to five of the nine recommendations we made in our March 2004 report on the Mint's purchase card program.¹ These recommendations involve modifying Mint purchase card policy; improving agency program coordinator (APC) oversight of the program; strengthening documentation requirements; and enhancing training materials for and training compliance by participants in the program. Between April 2004 and June 2004, the Mint closed the five recommendations in the Department of the Treasury's Joint Audit Management Enterprise System (JAMES). In closing the recommendations in JAMES, the Mint was indicating that it had implemented, documented, and validated the corrective actions taken in response to the recommendations.

We found that the corrective actions taken by the Mint adequately responded to the five recommendations.

Background

According to Office of Management and Budget Circular A-50, audit follow-up is an integral part of good management and a shared responsibility of management and auditors.² Each agency,

¹ Finding 1, recommendations 1, 2, and 4; finding 2, recommendation 7; and finding 4, recommendation 9, in *Manufacturing Operations: Control Weaknesses and Poor Management Oversight in the Mint's Purchase Card Program*, OIG-04-029 (Mar. 2, 2004).

² OMB Circular A-50, revised, "Audit Followup" (Sep. 29, 1982).

the circular states, should establish an audit follow-up system to assure the prompt and proper resolution and implementation of audit recommendations. Treasury Directive 40-03 requires bureau staff to ensure that (1) audit recommendations are resolved on a timely basis; (2) resolved audit recommendations (i.e., those agreed to by bureau management) are promptly acted upon and that progress with respect to proposed and ongoing corrective actions is adequately monitored; and (3) statistical information and other data are appropriately reported pursuant to all statutory and regulatory requirements.³

At the departmental level, the status of audit recommendations is tracked in JAMES, an interactive system accessible to both the Treasury Office of Inspector General (OIG) and bureau management. JAMES contains tracking information on audit reports from their issuance through completion of all actions related to the findings and recommendations they contain. At the bureau level, the Mint uses its own internal tracking process, which contains more detailed information than JAMES does.

The Mint's Office of Management Support and Internal Control (OMSIC) coordinates the development of Mint responses to audit findings and recommendations. OMSIC's assistant director validates the planned corrective actions (PCAs) developed by responsible program officials, and OMSIC staff record, monitor, and track implementation of the PCAs by using the Mint's internal tracking process. For audit recommendations related to information technology, OMSIC receives technical support from the Mint's Office of Information Security.

OMSIC staff also enter PCAs in JAMES, monitor the status of audit recommendations, update the status, and, with the approval of the OMSIC assistant director, close recommendations.

³ Treasury Directive 40-03, "Treasury Audit Resolution, Follow-Up, and Closure" (Feb. 2. 2005).

Objective, Scope, and Methodology

The objective of this corrective action verification (CAV) was to determine whether Mint management had taken corrective actions responsive to the intent of our recommendations to improve controls and oversight over the Mint's purchase card program. This CAV addresses the PCAs associated with recommendations 1, 2, 4, 7, and 9 in our March 2004 report on the Mint's purchase card program.

We met with the assistant director and staff from OMSIC to obtain an understanding of the process used to monitor the status of recommendations recorded in JAMES. We reviewed the Mint's updated policy, handbook, and training materials for the purchase card program. We obtained supporting documents to test and review the policy implementation and compliance in more detail. We queried JAMES to review the status of the recommendations.

We conducted our review during November 2006 at Mint headquarters in Washington, D.C., in accordance with generally accepted government auditing standards.

Corrective Actions Taken by the Mint

Recommendation 1 Establish annual review and record maintenance guidelines to each individual APC.

Recommendation 2 Instruct each individual APC to contact and inform AOs [approving officials] of improper transactions and hold them accountable for their cardholders. Also have a policy in place requiring documentation of offense and establish disciplinary guidelines.

In response to recommendations 1 and 2, Mint Procurement Policy, OCFO-PROC-15, was revised and reissued on February 2, 2004.

The revised policy established:

- annual reviews and reporting guidelines;
- reporting guidelines for the alleged misuse of a purchase card; and
- documentation requirements and specific discipline guidelines for purchase card abuse or misuse.

Recommendation 4 Require that each cardholder acknowledge, in writing, that they have been informed of their responsibilities, purchase card limits, and the name of their approving official.

In response to recommendation 4, a tear-out sheet was inserted in the Purchase Card Handbook that requires each cardholder to sign in acknowledgment of his or her responsibilities, card limits, and the name of his or her approving official. We believe the recommendation has been completed because we reviewed the completed tear-out sheets, which contained the cardholder's name, approving official's name, amount of a single purchase, monthly purchase limit, cardholder's signature, and the date the form was completed.

Recommendation 7 Conduct periodic reviews to ensure that cardholders are completing their purchase logs in a timely manner.

To address recommendation 7, the Mint added a new requirement to the Purchase Card Handbook that cardholders reconcile statements with their purchase card log and receipts in a timely manner, ensuring that the charges are correct. We reviewed examples of cardholders' documentation prepared on a monthly basis. The documentation included purchase logs, receipts, and concurrent Citibank statement along with the cardholders' reconciliation. Finally, the reconciliation was reviewed by the approving officials, who confirmed the accuracy of the reconciliation.

Recommendation 9 Develop more comprehensive training materials and written guidance for all those participants in the purchase card program. Once developed, headquarters personnel should ensure consistent compliance nationwide.

In response to recommendation 9, we determined that the Purchase Card Handbook and other training materials were revised to be more comprehensive by addressing the recommendations contained in the March 2004 OIG report. We reviewed the results of the quarterly purchase card reviews and the related annual reports, which contained documentation on the results of the reviews, findings, and counseling to correct any findings.

Management Response

In a memorandum dated April 2, 2007 (Appendix 1), the Mint director concurred with our draft report and reaffirmed the Mint's commitment to establishing and maintaining effective internal control in its operations.

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We would like to extend our appreciation for the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me at (202) 927-5746. The major contributor to this report was Myung Han, Management Analyst.

John F. Lemen
Acting Director, Fiscal Service Audits

Appendix 1
Management Response



DIRECTOR
OF THE
MINT

DEPARTMENT OF THE TREASURY
UNITED STATES MINT
WASHINGTON, D.C. 20220

April 2, 2007

MEMORANDUM FOR JOHN F. LEMEN
ACTING DIRECTOR, FISCAL SERVICE AUDITS
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF THE TREASURY

FROM: Edmund C. Moy
Director
United States Mint

A handwritten signature in black ink, appearing to read "Edmund C. Moy".

SUBJECT: Discussion Draft Audit Report "MANUFACTURING
OPERATIONS: The Mint Has Taken Action to Improve Its
Purchase Card Program (Corrective Action Verification on OIG-
04-029)"

The United States Mint has reviewed the Treasury Department Office of Inspector General (OIG) draft audit report, "**MANUFACTURING OPERATIONS: The Mint Has Taken Action to Improve Its Purchase Card Program (Corrective Action Verification on OIG-04-029).**"

We are pleased that the corrective actions taken by the United States Mint have been validated by your office and found to be appropriate in correcting the previously reported conditions. The United States Mint is committed to establishing and maintaining effective internal control to prevent fraud, waste, abuse and mismanagement in its operations, and this corrective action verification audit affords us the opportunity to confirm our efforts to resolve noted weaknesses.

Department of the Treasury

Deputy Chief Financial Officer
Office of Strategic Planning and Performance Management
Office of Accounting and Internal Control

United States Mint

Director
Audit Liaison Official

Office of Management and Budget

OIG Budget Examiner