U.S. DEPARTMENT OF COMMERCE
Office of Inspector General

Census Bureau

2010 Census: The Partner Support Program Lacked Adequate Controls for Monitoring Purchases and Ensuring Compliance

Final Report No. OIG-11-013-A

November 18, 2010

FOR PUBLIC RELEASE

Office of Audit and Evaluation

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

November 18, 2010

MEMORANDUM FOR: Dr. Robert Groves
Director, U.S. Census Bureau

FROM: Ann Eilers
Principal Assistant Inspector General for Audit and Evaluation

SUBJECT: *2010 Census: The Partner Support Program Lacked Adequate Controls for Monitoring Purchases and Ensuring Compliance*
Final Report No. OIG-11-013-A

This memorandum transmits our final report on our audit of the Census Partner Support Program (PSP). The purpose of the audit was to determine whether (1) Census Bureau employees effectively managed PSP purchases to prevent fraud, waste, and abuse; (2) bureau employees correctly followed PSP procedures; and (3) employees responsible for administering the program were adequately trained.

We briefed your staff regarding our findings and recommendations on September 9, 2010, and provided you with a draft report on October 6. In short, we found that (1) multiple reports and systems, coupled with incorrectly coded PSP expenditures, made it difficult to identify the population of transactions and impeded management's ability to effectively monitor purchases; (2) employees did not consistently follow acquisition and financial policies and program guidelines; and (3) training sessions were not adequate to ensure all Census staff understood the program and its purchasing processes.

Your November 2 response to our draft report did not dispute our findings. We made a few modifications to the report's details based on your response; we also summarized the response in our report and included it in its entirety as an appendix. The report will be posted on our website pursuant to section 8L of the Inspector General Act of 1978, as amended.

In accordance with Department Administrative Order 213-5, please provide us with an audit action plan within 60 days of the date of this memorandum. Please accept our thanks to the bureau for the courtesies shown to us during our field work. If you have any questions, please contact me at (202) 482-2754.

Attachment

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Report In Brief

U.S. Department of Commerce Office of Inspector General

November 18, 2010

Census Bureau

2010 Census: The Partner Support Program Lacked Adequate Controls for Monitoring Purchases and Ensuring Compliance *(OIG-11-013-A)*

Why We Did this Review

As part of our ongoing oversight of the 2010 census, the Office of Inspector General (OIG) audited purchases made under the Partner Support Program (PSP) to determine

(1) whether Census Bureau employees effectively managed PSP purchases to prevent fraud, waste, and abuse;

(2) whether bureau employees correctly followed PSP procedures; and

(3) whether employees responsible for administering the program were adequately trained.

Background

PSP was developed by the Census Bureau to complement the outreach efforts of Census's partner organizations. Partner organizations include government, non-profit, and corporate or community organizations that formally pledged their commitment to share the 2010 Census message and mobilize their constituents in support of the bureau's goal of achieving a complete and accurate count.

Through its partners, Census tried to reach a wider audience of historically "hard-to-count" demographic groups. The bureau also sought to increase mail response, reduce undercounting, and communicate a consistent message about the decennial census.

Census worked with its partners in a variety of ways to spread the bureau's message, including purchasing promotional items (such as pens, flyers, or caps) for the partners to distribute locally, and participating in festivals or other community events.

What We Found

While Census has several reports and systems in place to monitor purchases made for partners, few of the systems actually communicate with or reconcile to one another. This makes it difficult for Census headquarters to track purchases over the long term. Purchases that had been miscoded in some of these systems further hindered management's ability to monitor the program.

Some Census employees who had purchasing authority did not follow federal and Commerce acquisition guidelines and policies. For example, employees paid intermediary vendors with the understanding that the vendor receiving the payment would forward funds to the vendor providing the products or services. In other cases, employees placed and received large orders without authorization, failed to safeguard government purchase card account information, or did not properly document purchase details. We also discovered a potential conflict of interest between a partner and a vendor that had gone undetected until several purchases had already been made.

Finally, purchasing for the program started later than anticipated, and the program changed rapidly over its lifecycle. These factors made it difficult to train Census staff thoroughly and in a timely fashion. Although the bureau distributed written guidance to staff, the guidance was often unclear or misunderstood by them.

What We Recommended

The last PSP purchase was approved in May 2010. Therefore, our recommendations focus on planning for future decennials. Should Census implement a similar promotional outreach program in 2020, we recommend the following:

1. Ensure that manual and automated tracking systems are fully functional and integrated, and that reconciliation with the financial accounting system is in place prior to implementing the program.
2. Improve management oversight of purchase card purchases to identify staff noncompliance with policies and procedures for both purchase cardholders and partnership staff.
3. Conduct timely training that reemphasizes federal and Commerce acquisition rules, such as split purchases, conflicts of interests, and other procedural rules; and provide manuals with updates and step-by-step processing transaction instructions.

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Introduction

The Partner Support Program (PSP) was developed by the Census Bureau to complement the outreach efforts of Census's partner organizations. Partner organizations include government, non-profit, and corporate or community organizations that have formally pledged their commitment to share the 2010 Census message and mobilize their constituents in support of the Census Bureau's goal of achieving a complete and accurate count. Through PSP, Census hopes to reach a wide audience of "hard-to-count" groups,[1] increase mail response, reduce differential undercount,[2] and communicate a consistent Census message.

Census recognizes that partners know their communities' conditions and circumstances better than the bureau does, and have the appropriate connections at the national and community level to encourage participation in the census. In collaboration with partners who have direct access to specific groups the bureau considers hard to count, the bureau acquires promotional items (such as caps, tote bags, pens, posters, flyers, and t-shirts) and funds services (such as participant fees for festivals and parades, space and equipment rental, and event planning),[3] which the partners then use to promote the Census message among populations that have traditionally been undercounted.

The funds for this program are to be used to support the basic activities of existing partners. For fiscal years (FYs) 2009 and 2010 the bureau allocated $24 million to this program, dividing the funds among its 12 regional census centers (RCCs; see figure 1 on page 2) based on a score representing enumeration difficulty. RCCs with higher scores received a larger portion of the program's total allocation.

Regional partnership staff work with eligible and active partners[4] to identify projects and assist the partners in completing and submitting the PSP application and funding request form. Recognizing that partnership staff in the regions were tasked with responsibly spending a large amount of resources in a relatively short time frame, the bureau also established a Partnership Procurement Unit at the National Processing Center (NPC), hiring 25 new procurement staff, called purchasing agents, and four clerks to assist regions with PSP funding requests.

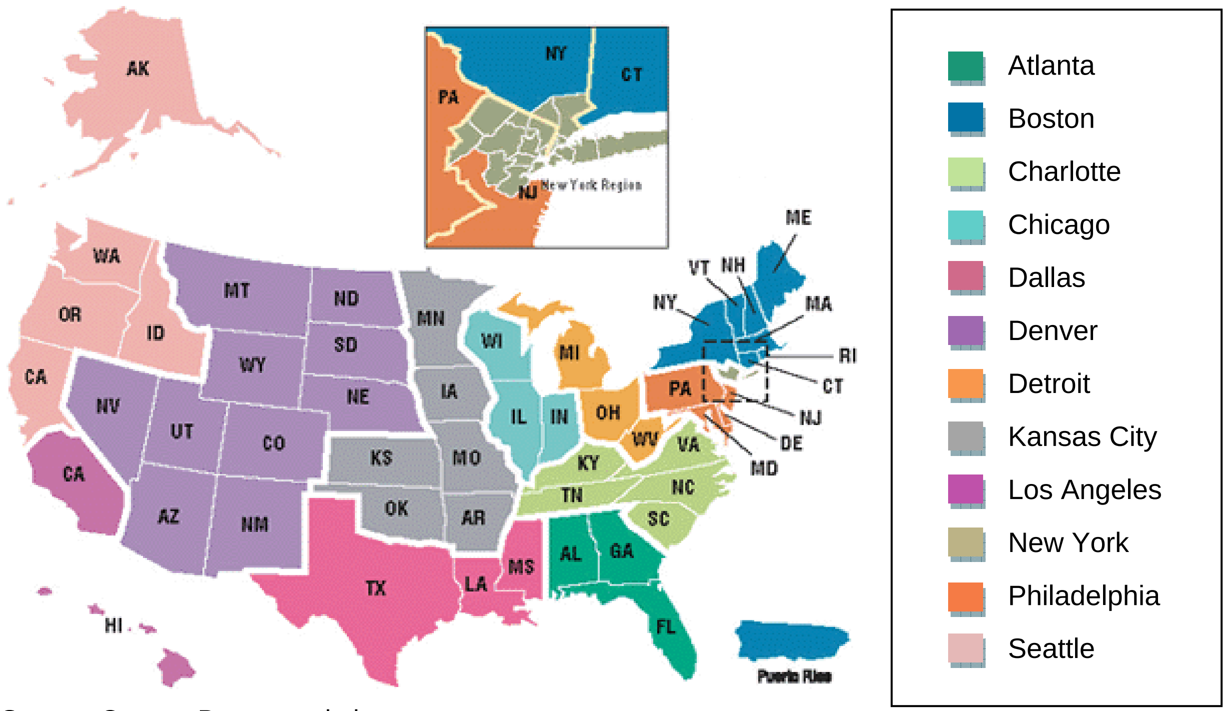
[1] Hard-to-count populations include but are not limited to the homeless, migrant farm workers, foreign-born individuals, African Americans, American Indians and Alaska natives, native Hawaiians and other Pacific Islanders, and linguistically isolated populations.

[2] The net undercount is the difference between the number of people missed and the number of people counted twice, counted in the wrong place, or fabricated by an enumerator. The rates of undercount differ among geographic areas and between whites and nonwhites. This racial bias in the census undercount is known as the differential undercount.

[3] Food and advertising constitute unallowable purchases for the program.

[4] Eligible partner organizations include those who demonstrate an active commitment to promote participation in the 2010 Census. As of November 18, 2009, 1,809 partners were participating in the program.

Figure 1. Regional Census Centers



Source: Census Bureau website

As part of our oversight of the 2010 census, the Office of Inspector General (OIG) audited purchases made under PSP to determine whether (1) Census Bureau employees effectively managed PSP purchases to prevent fraud, waste, and abuse; (2) bureau employees correctly followed PSP procedures; and (3) employees responsible for administering the program were adequately trained. For a complete outline of our objectives, scope, and methodology, see appendix A.

We found that (1) multiple reports and systems, coupled with incorrectly coded PSP expenditures, made it difficult to identify the population of transactions and impeded management's ability to effectively monitor purchases; (2) employees did not consistently follow acquisition and financial policies and program guidelines; and (3) training sessions were not adequate to ensure all Census staff understood the program and its purchasing processes.

Findings

I. Reporting and System Limitations Impeded Management's Ability to Effectively Monitor Purchases

Census is required to monitor the purchases made by its employees to ensure requirements are met and to reduce the risk of fraud, waste, and abuse. However, Census's ability to monitor purchases effectively was severely limited by numerous issues that resulted in incomplete or erroneous reporting or tracking of purchases.

The bureau's use of multiple reports and systems to track PSP purchases led to the logging of incomplete or erroneous information. Census used a combination of two manual reports (a weekly disbursement log and a disposition report) and six automated systems to monitor PSP activities and capture purchase card charges and purchase orders. Because of the accelerated schedule for implementing the program, Census chose to rely on these existing resources rather than designate a system to aggregate and track PSP expenditures.

However, most of the reports and systems Census used do not reconcile to one another, nor do they interface with each other or with the financial accounting system; therefore, there was no single location from which all PSP information can be accessed. Instead, headquarters staff compiled a worksheet from the disbursement log data sent in by the regions. But the regional logs, which are not reconciled to a central Census Bureau system, sometimes contained errors, were incomplete, or contained amounts inconsistent with transaction information in the Commerce Purchase Card System (CPCS), the program used to track purchase card transactions. The bureau should improve its outreach program purchase tracking methods for the 2020 census. Manual and automated systems used for tracking PSP expenditures should be complete, reliable, and updated timely. Also, subsidiary records should reconcile to information recorded in the financial accounting system and in CPCS.

Of the $5.7 million in anticipated credit card purchases cited by the bureau, only $4.8 million was coded as PSP purchases in CPCS, a difference of about $889,000 for FY2009. The difference between the data tracked in the CPCS and the information from the worksheet compiled at headquarters represents potential miscoded PSP transactions. The miscoded transactions resulted from account codes not being updated during the monthly account reconciliation process. Although Census sent a memorandum to RCC staff identifying the project numbers and task codes assigned to Census decennial activities, our review of records of approved purchase card transactions revealed that purchases were not consistently assigned the correct project numbers and task codes. The miscoded transactions hindered management's ability to identify PSP purchases and increased the risk of improper spending on the program. For the next decennial, Census's approving officials and cardholders should have procedures in place to ensure PSP expenditures are recorded to the correct project number and task code.

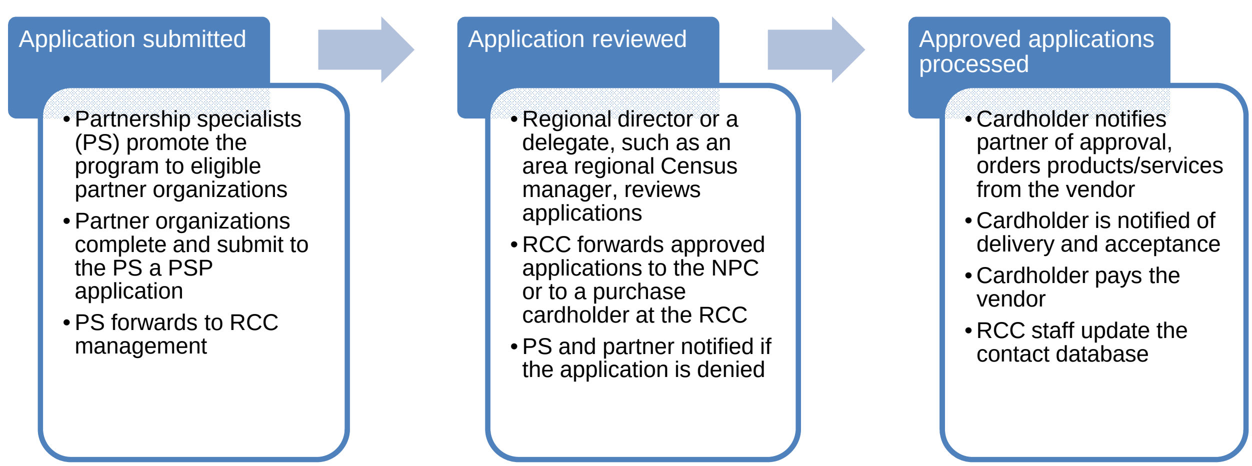
Finally, several purchase cardholders did not comply with convenience check-writing practices, which increased the possibility of exceeding purchase limits and decreased the ability to disallow improper transactions. In order to mitigate risk and fraud exposure, the bureau imposed a $1,000 not-to-exceed limit per convenience check. After reviewing years of data, the bureau concluded the $1,000 limit would cover most transactions. However, Census policy allows most cardholders to spend up to $3,000 for a single transaction, resulting in purchasers writing multiple checks in increments of $1,000 or less to the same payee. Additionally, since PSP advocates the use of small businesses, some of which are unable to accept credit cards, the bureau's staff wrote more checks than would have ordinarily been expected. For example, we identified seven instances in FY2009 in which purchase cardholders wrote multiple convenience checks to the same payee on the same day, and the total paid exceeded the $3,000 single-purchase limit.

The $1,000 limit resulted in additional costs because the servicing bank assesses a fee of 2 percent of the value of each check. Moreover, when cardholders use convenience checks instead of purchase cards, the bureau employees responsible for monitoring purchase card transactions lose some of the oversight tools that would otherwise help them review costs and detect potentially unallowable transactions. To compensate for this uncertainty, the Department requires bureaus and agencies to conduct a 100 percent audit of convenience checks, resulting in additional cost and effort. The bureau should consider revisiting whether the $1,000-per-check limit on convenience checks will still be sufficient to cover purchases in future outreach programs.

II. Employees Did Not Comply with Federal Acquisition and Financial Policies and Program Guidelines, Leading to an Increased Risk of Improper Payments

Direct Partner Support purchases, which partners initiate in order to effectively reach a specific hard-to-count group, are made using government purchase cards and cannot exceed the government's $3,000 limit for micro-purchases. Figure 2 summarizes the bureau's business process for staff to follow when making Direct Partner Support purchases. By contrast, Special Initiatives purchases, also used in PSP, are initiated by one of the RCC directors in support of that region rather than a specific partner. Special Initiatives purchases can exceed $3,000; there are no limits on products and services purchased, and a government purchase order can be used.

Figure 2. Overview of the Direct Partner Support Purchase Process



Source: OIG

Although the bureau launched PSP in May 2009, most regions did not begin spending until July. The volume of Direct Partner Support purchases increased significantly between August and December 2009. The NPC began processing Special Initiatives purchases in late August 2009. While our audit included FY2009 and FY2010 purchases, the majority of the transactions selected and records examined apply to FY2009.

We identified cases in which partners, employees, and purchase cardholders did not act in accordance with federal and bureau purchase policies and did not follow procedures properly. We found a broad range of types of noncompliance in several regions, including the following examples:

- Purchase cardholders failed to comply with policy by paying intermediary vendors with the understanding that the vendor receiving the payment would forward funds to the vendor providing the products and services. We identified 11 payments totaling $25,713 that showed no affiliation between the vendors that provided the products or services and those that received the payments. In 10 cases, a vendor that did not have a terminal on which to run credit transactions processed the purchase using a neighboring business's credit card terminal.[5] Although it is permissible for parent companies and affiliates to process charges on vendors' behalf, purchase cardholders should not pay vendors that did not provide products or services. For example, rather than running transactions on another vendor's terminal, if the vendors providing the products or services do not have terminals of their own, they should be paid using convenience checks. If an unexpected charge appears on the cardholder's statement or on the CPCS purchase log, the cardholder should dispute the charge.
- In one region, partnership staff placed a large order (for 23,000 t-shirts to be distributed at concerts) before obtaining the proper written approval. The regional director signed the required order form weeks after—and the contracting officer signed the purchase order months after—the staff received the t-shirts. While written justification for not complying with contractor selection and acquisition requirements[6] had been included in the files, it was dated over 50 days after the shirts had been received. Without an approved purchase order, NPC's finance staff could not legally pay the contractor for the products, even though the region had already accepted them. In the future, controls should be in place to ensure purchases and other significant events are authorized and executed only by cardholders and authorizing officials.[7]
- Of the FY2009 purchase card transactions coded to PSP, we identified 171 occurrences of cardholders placing multiple orders with the same vendor on the same day for very similar products, which if combined were well above the $3,000 micro-purchase limit. For example, on one business day seven cardholders in one region incurred 86 transactions, each below the $3,000 threshold, which resulted in a vendor receiving

[5] One of the 11 payments we reviewed was to a third party processor (in this case, Google™), which is an allowable practice in certain circumstances and when documented in compliance with Department policy. The *Commerce Acquisition Manual,* Ch. 1313.301, requires the following documentation: merchant name, third party processor name, transaction amount, and a brief statement explaining why it was necessary to purchase the product or service from that merchant.

[6] According to the justification for not complying, the partner needed the t-shirts quickly so they could be distributed at three concerts in July and August 2009.

[7] Department of Commerce, Office of Financial Management. *Accounting Principles and Standards Handbook*, Section 6.0.03.

$91,000 for promotional items. The bureau's position is that this did not break the law or Department policy because the purchases represent unique orders that happen to have been acquired from the same vendor on the same day. Based on a legal review of this issue, we determined the fragmentation of promotional item requirements into micro-purchases is likely inappropriate because in many instances the bureau placed consecutive orders with the same vendor for very similar products, which, if combined, were well above $3,000. Although the acquisition regulations permit use of streamlined procedures for filling needs below a purchase threshold of $3,000, the acquisition of items above $3,000 is subject to additional financial controls and competitive procedures to protect the government's interests. Purchase cardholders should follow the *Commerce Acquisition Manual* (*CAM*), which requires that cardholders comply with spending limits and not "split requirements."[8] Also, incurring repeated small-dollar charges, as occurred frequently with the PSP, potentially goes against one of the purposes of simplified acquisitions, which is to minimize administrative costs.

- An apparent conflict of interest between a partner and a vendor was discovered after the partner, rather than the cardholder, had already ordered the products. The partner and the vendor that provided the promotional items are brothers and share office space. Between September 11 and November 2, 2009, this vendor received three orders for multiple partners totaling almost $9,000 in PSP purchases. Although the micro-purchase card rules allow flexibility, the Commerce Acquisition Regulation (CAR) and the Federal Acquisition Regulation (FAR) require that the contractor disclose actual or potential organizational conflicts of interest, even when the award has already been made.[9] In this case, however, the vendor did not follow this requirement. As part of partnership program training in future decennials, management should remind partnership staff with procurement and acquisition responsibilities to be alert for potential conflicts of interest. Only cardholders, not partners, should place orders.

- Purchase cardholders sometimes sent to the vendor, by fax, the purchase card account number, card expiration date, name on the card, and three-digit security code on the back of the card. Purchase cardholders had little to no assurance that the vendor would keep this information confidential. Although purchase card accounts that were obtained specifically for PSP have been deactivated, in the future purchase cardholders should better safeguard account information.

- Partnership staff did not consistently follow PSP business processes and guidelines regarding disbursement of program funds and limits on partner participation, resulting in 32 partners in three regions receiving products and services above the amount allowed; partnership staff in the field did not consistently forward the necessary documentation to purchase cardholders, causing delays in processing requests; and some cardholders paid in advance for goods and services, which in most cases does not comply with Department policies. We reviewed documents—such as packing lists, receiving reports, photographs,

[8] *CAM*, Ch. 1313.301 §3.1 and appendix A.

[9] CAR §§ 1309.507-2(a), 1352.209-71; FAR Subpart 9.5. Under FAR, an "organizational conflict of interest" may arise when, due to other activities or relationships with other persons, a person is unable or potentially unable to render impartial assistance or advice to the government, the person's objectivity in performing the contract work is or might be otherwise impaired, or the person has an unfair competitive advantage. FAR § 2.101.

and e-mail—related to those purchases we audited that had been paid in advance. Our review demonstrated that the products or services had either been received or were in the process of being received. Cardholders should not pay without ensuring receipt and acceptance of goods and services. Also, regions should ensure their cardholders do not pay for products and services in advance.

III. Training on Procurement Processes Needs Improvement

The bureau offered training to partnership staff in the regions and to those responsible for administering the program in May and October 2009. Twenty-one of the 47 cardholders in the RCCs who had PSP purchasing responsibilities attended the training on May 20, 2009. The 25 purchasing agents and four clerks in the NPC Partnership Procurement Unit were trained on July 1, 2009. Some of the regional managers who were not purchase cardholders but were responsible for reviewing and approving program expenditures attended training. Their presence, while valuable, was not the focus of our evaluation of the training.

These training sessions were not adequate to ensure all Census staff understood the program and its purchasing processes. We interviewed two deputy regional directors, three assistant regional census managers, and 12 purchase cardholders to determine whether they understood the allowable uses of PSP funds, purchase card procedures, and acquisition requirements. Eight of the cardholders did not have previous government purchase card experience. The inexperienced cardholders at the RCCs believed the training was insufficient.

There were rapid changes in how the program operated and little time for the bureau to respond with appropriate training and communication to its field staff. Although written guidance was distributed to purchase cardholders, some of the content was unclear or misunderstood. For instance, cardholders found the guidance on split purchases lacked clarity. The bureau also did not anticipate some of the scenarios and challenges of using purchase cards to expedite payments for the program, many of which were described in finding II. Initial PSP training may have excluded topics and specific guidance that the cardholders needed. As a result, purchase cardholders in the regions felt after the initial training that it was left to them to figure out how to process PSP transactions.

Census created a business process model in which NPC purchasing agents would process PSP purchases for 11 of the 12 RCCs. (One RCC opted out of this model.) The NPC purchasing agents were in place and functioning later than expected, leaving an even shorter window of time for the RCCs to use their portion of the $10 million allocated to the program in FY2009. As a result, 7 of the 12 RCCs processed the majority of FY2009 micro-purchases locally and the NPC staff was underutilized.

Recognizing that some topics were either overlooked or inadequately covered in the first round of training, the bureau responded by conducting another training session on October 14, 2009. Staff we interviewed following that training felt it was especially relevant and an improvement compared to the initial training.

To improve training for future outreach programs, the bureau should ensure training is timely and includes topics such as vendor selection (for example, rather than using the same vendor repeatedly to provide a good/service, widen the pool and purchase from other vendors), split purchases, conflicts of interest, and the other procedural issues we have addressed in this report. Census training should also provide updated step-by-step instructions on processing transactions from beginning to end. It should include internal control requirements in written manuals and desk procedures.

Recommendations: Looking Ahead to 2020

The final PSP promotional item was approved in May 2010. The next opportunity to implement a promotional outreach program like PSP will occur during the 2020 decennial, and it is critical that Census acknowledge the problems that occurred in 2010 in order to plan and operate more effectively for the next decennial. We recommend the following for a 2020 promotional outreach program:

1. Ensure that manual and automated tracking systems are fully functional and integrated, and reconciliation with the financial accounting system is in place prior to program implementation. Make available to managers in the regions financial reports that will allow them to compare actual program purchases to the budget so that they and their partnership staff can spend the amount allocated within the expected time frame.
2. Improve management oversight of purchase card purchases to identify staff non-compliance with policies and procedures for both purchase cardholders and partnership staff. Staff responsible for reviewing and approving program applications should ensure that products and services closely align with the program's objectives. Managers in the regions with supervisory authority, such as assistant regional census managers and partnership coordinators, should be held accountable for and enforce compliance. Finally, create a policy stating that employees must comply with program guidelines or face disciplinary action, including suspension and termination, and communicate these expectations to employees. Enforce written policies limiting Direct Partner Support purchases to $3,000 per vendor per purchase.
3. Conduct timely training that reemphasizes federal and Commerce acquisition rules, such as split purchases, conflicts of interests, and other procedural rules; and provide manuals with updates and step-by-step instructions.

When reviewing PSP files in several RCCs, we observed a few practices that indicated Census field staff had taken the initiative to implement and follow quality assurance standards. Census can take practices such as these into consideration when developing future PSP training programs, processes, and procedures:

- In its PSP files, one RCC included reports from Census's integrated partnership contact database. The reports indicate whether the partner is active and eligible to participate in the program. This demonstrates that the partnership staff updated the database as management intended.
- Another RCC created and sent to vendors a letter confirming and authorizing production of promotional items funded by PSP. The letter described the terms and conditions of the order, including a statement that the bureau is a federal agency and payment will be rendered after the product is received and verified. Regional staff, the cardholder, and the vendor signed the letter.
- The supervisor at the Partnership Procurement Unit required NPC purchasing agents to use a checklist and include it in their Direct Partner Support files. The checklist is an administrative tool reminding the purchasing agents of the documents to obtain and steps

to follow. The checklist helps to ensure the information and documents required to complete a purchase are received.

Summary of Census Comments and OIG Response

In its response to our draft report, Census did not dispute our findings and recommendations. The bureau provided additional information related to the first audit finding and made general comments about the second and third findings:

1. With respect to our finding that the multiple reports and systems used for the PSP program did not reconcile, Census stated that all approved PSP transactions were entered into the Integrated Partner Contact Database (IPCD) and that these transactions were then compared to reports generated by two Commerce systems.
2. In our second finding, regarding compliance with federal acquisition and financial requirements, Census stated that third party payers were utilized and acquisitions completed in compliance with *CAM* 1313.301. The predominant third party payers used were Paypal™ and Google, and Census requested that we include the number of incidents in relation to the total number of charges made.
3. Census clarified that some of the regional managers attended purchase card training; we have added that information to the body of the report.

The full Census response is included as appendix B of this report.

OIG Response

We considered the bureau's response in preparing this final report and made a few modifications to the details of the report. However, we reaffirm our findings and recommendations.

Specifically, with respect to the first finding, Census stated that reports generated by two Commerce systems are compared to purchases from the IPCD. Our review found that the IPCD was not consistently updated and PSP transactions were sometimes not recorded in the IPCD. Our analysis of IPCD information for 15 partners with promotional item purchases found transaction information for only 2 of the 15 partners in the database. Our review also found incorrectly coded transactions in the Commerce purchase card system. Therefore, Census's requirement to enter promotional item purchases into the IPCD and compare transaction codes from multiple systems does not constitute a strong internal control.

We continue to maintain that Census did not fully comply with *CAM* 1313.301. Purchase cardholder files did not, as required by the *CAM*, "…document the purchase card file with the name of the merchant, the name of the third-party processor, the amount of the transaction, and a brief statement explaining why it was necessary to purchase the product or service from that merchant." We have included the number of transactions in which this requirement was not followed in the body of the report.

Appendix A: Objectives, Scope, and Methodology

The objectives of the audit were to determine whether (1) Census Bureau employees effectively managed Partner Support Program (PSP) purchases to prevent fraud, waste, and abuse; (2) bureau employees correctly followed PSP procedures; and (3) employees responsible for administering the program were adequately trained.

We used the region-specific partnership plans; policies, procedures, and other written guidance the bureau disseminated to its staff; information from interviews; and procurement records in PSP files to evaluate the PSP proposal process, gain an understanding of Census purchase card and purchase order policies and procedures, and identify oversight or monitoring controls over purchase card transactions and purchase orders. We worked with the bureau’s two agency program coordinators and with two staff at the Bankcard Center to understand how they manage the bureau’s purchase card program and monitor transactions.

We interviewed staff at the National Processing Center (NPC), and at the Seattle, Philadelphia, New York, Chicago, and Los Angeles regional census centers (RCCs). We conducted file reviews onsite at the NPC, Philadelphia, New York, Chicago, and Los Angeles RCCs. We obtained and scrutinized the PowerPoint® slides and other written guidance distributed to purchase cardholders at training, and evaluated whether the content of the written materials was adequate.

To determine the regions to include in the site visits, we considered the amount allocated to each region—focusing on the regions with the highest PSP budget and regions with significant hard-to-count populations. We included the NPC because business process flow charts provided by the bureau indicated the NPC would handle Direct Partner Support purchases for 11 of the 12 regions. The Los Angeles RCC opted out of this model up front, deciding it would use regionally held purchase cards for micro-purchases initiated in its region.

Direct Partner Support Purchases

We determined that the computer generated data provided in the Commerce Purchase Card System (CPCS) was reliable, accurate, and complete by comparing payments the Census Finance Division disbursed to the bank to the purchase card charges in the CPCS transaction data we received from the bureau’s Acquisition staff. As we reviewed transactions we observed that the information such as the vendor name, purchase or transaction date, and amount as cited on source documents agreed to CPCS.

Using computer-aided audit techniques, we analyzed the purchase card data and identified the highest risk transactions for review. Our transaction selection methodology involved applying fraud indicators to the population of purchase card charges to identify possible improper expenditures. Specifically, we considered purchases made on holidays and weekends, online purchases and purchases from third party billing services such as Paypal and Google, unusual vendor names and unexpected vendor category codes, transactions near the micro-purchase limit, multiple credits to the same vendor, convenience checks, multiple transactions with the same vendor and on the same purchase date, and even purchases in $50 increments. Included in the

228 transactions reviewed were the purchases with the highest number of hits on the fraud indicators.[10] We did not use a statistical sample.

Special Initiatives Purchases

Procurement staff at the NPC and at Census headquarters provided scanned images of the purchase orders. We judgmentally selected 13 orders, valued at $868,443.66 in obligated funds. We included in the review purchase orders exceeding $50,000 and to contractors whose names are unfamiliar and in our judgment are unusual given the types of purchases we expect for the program.

Internal Controls and Compliance with Laws and Regulations

Our audit included an evaluation of the bureau's internal controls and compliance with laws and regulations as they relate to simplified acquisition procedures, financial management and procurement. Key criteria we considered in conducting the audit included Federal Acquisition Regulation Parts 7 and 13, Office of Management and Budget Circular No. 123 appendix B, General Accounting Office (GAO) - *Audit Guide - Auditing and Investigating the Internal Control of Government Purchase Card Programs* GAO-03-678G (2003), *Commerce Acquisition Manual* 1313.301, *Commerce Office of Financial Management Cash Management Policies and Procedures Handbook* and *Accounting Principles and Standards Handbook*, and program guidance disseminated by Census headquarters. We obtained an understanding of the management controls over program purchases by interviewing managers and purchase cardholders and reviewing policies and procedures. We met our audit objectives by testing transactions.

Audit Authority

The audit was conducted under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated August 31, 2006. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[10] We reviewed 213 out of 3,268 FY2009 transactions, and 15 transactions from the first quarter of FY2010.

Appendix B: Bureau Response

UNITED STATES DEPARTMENT OF COMMERCE
Economics and Statistics Administration
U.S. Census Bureau
Washington, DC 20233-0001
OFFICE OF THE DIRECTOR

NOV 02 2010

MEMORANDUM FOR: Ann Eilers
Principal Assistant Inspector General for Audit and Evaluation

Through: Rebecca M. Blank Nancy Potok for
Under Secretary for Economic Affairs

From: Robert M. Groves Robert M Groves
Director

Subject: *Audit of the Partner Support Program for the 2010 Decennial Census* (Draft OIG Report No. OAE-19782)

The attached comments are in response to your draft audit report regarding the Census Partner Support Program for the 2010 Decennial Census. The U.S. Census Bureau appreciates the comments and recommendations developed by the Office of the Principal Assistant Inspector General in producing this audit report.

Attachment

cc: US/EA

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OIG Draft Report

Audit of the Partner Support Program for the 2010 Decennial Census (OAE-19782)

U.S. Census Bureau Response

The Census Bureau has reviewed the Department of Commerce, Office of Inspector General, (OIG) Draft Report No.OAE-19782 dated October 6, 2010, and has the following comments:

Finding 1 – Reporting and System Limitations Impeded Management's Ability to Effectively Monitor Purchases

Paragraph 3: However, most of the reports and systems Census used do not reconcile to one another, nor do they interface with each other or with the financial accounting system: therefore there was no single location from which all PSP information can be accessed.

BOC Response: All Partner Support Program approved transactions were entered into one single location, the Integrated Partner Contact Database, or IPCD. These transactions were then compared to reports generated by the Commerce Purchase Card System (CPSC) and the Commerce Business Systems (CBS).

Finding 2 - Employees Did Not Comply with Federal Acquisition and Financial Policies and Program Guidelines, Leading to an Increased Risk of Improper Payments

Paragraph 4, bullet 1: Although it is permissible for parent companies and affiliates to process charges on vendors' behalf, in several of the cases we examined there was no affiliation between the vendors that provided the products or services and those that received the payments. Purchase cardholders should not pay vendors that did not provide products or services.

BOC Response: We acknowledge that third party payors were utilized in some instances but was done in compliance with CAM 1313.301. The predominant third party payors used were Paypal and Google. To put some context to your statement, we ask that you include the number of incidents that occurred in relation to the total number of charges made.

Finding 3 - Training on Procurement Processes Needs Improvement

Paragraph 1: The Bureau offered training to partnership staff in the regions and to those responsible for administering the program in May and October 2009. Twenty-one of the 47 cardholders in the RCCs who had PSP purchasing responsibilities attended the training on May 20, 2009. The 25 purchasing agents and four clerks in the NPC Partnership Procurement Unit were trained on July 1, 2009.

BOC Response: In addition to the 21 cardholders who the attended the May 20, 2009 PSP training at NPC, regional management from each region also attended to include two Deputy Regional Directors and Area Regional Census Managers. The training conducted on July 1, 2009 at NPC included not only purchasing agents from NPC but also credit cardholders from each of the regional offices.