



Report In Brief

MAY 2, 2013

Background

In fiscal year (FY) 2011, Department of Commerce staff used 4,515 purchase cards for 265,423 transactions, spending \$118,628,549.

In September 2011, we began this audit on transactions initiated during FY 2011. We selected approximately 850 transactions for testing through a stratified random sample, ensuring that transactions from all bureaus were included and that results could be projected to the entire Department. We also projected bureau-specific results for the Census Bureau, National Oceanic and Atmospheric Administration, and National Institute of Standards and Technology, because those bureaus represented the largest users of purchase cards.

Why We Did This Review

We performed this audit to determine whether the Department had adequate transaction-level internal controls over the use of purchase cards.

We initiated the audit as we believe purchase cards are an inherently risky method for purchasing, due to the highly decentralized nature of the transactions, the number of cardholders, and the amount of activity. We also observed an increase in congressional interest in the use of purchase card by federal agencies, as seen by the passing of the Government Charge Card Abuse Prevention Act of 2012 on October 5, 2012. Additionally, three other recent reviews on purchase card activity within the Department identified issues such as internal control deficiencies, questionable transactions, split transactions, receipt discrepancies, and ordering violations.

OFFICE OF THE SECRETARY

Internal Controls for Purchase Card Transactions Need to Be Strengthened

OIG-13-025-A

WHAT WE FOUND

Transaction documentation was incomplete. Missing documentation included evidence of the availability of funds and of legitimate government need, proper vendor invoices or payment receipts, and evidence of receipt and acceptance.

Procedural issues exist. Cardholders inappropriately paid state and local sales tax, did not pay invoices within 30 days, and faxed purchase card information.

Transactions were improper or questionable. We identified transactions that were split, transactions that exceeded cardholders' single-purchase limit, and purchases made by employees other than the cardholder.

Cardholders and approving officials did not obtain annual refresher training. A significant number of cardholders did not obtain annual refresher training.

WHAT WE RECOMMEND

We make the following recommendations to the Chief Financial Officer and Assistant Secretary for Administration:

1. Direct cardholders to document purchase requests and approvals, budget approvals, and bona fide government needs for purchase card transactions.
2. Strengthen the monthly purchase card reconciliation process.
3. Ensure that purchases are equitably distributed among qualified vendors and that agencies determine the most efficient and effective method of obtaining services (i.e., insourcing versus outsourcing, purchase cards versus other procurement tool).
4. Develop policies and procedures to ensure that purchase card files are retained when cardholders or approving officials end employment with the Department or otherwise discontinue their functions as cardholders or approving officials.
5. Improve training — as well as its tracking and monitoring — for cardholders and approving officials on regulations over the use of purchase cards.
6. Ensure the Department's Electronic Transmission of Personally Identifiable Information policy is consistent with the Commerce Acquisition Manual (CAM).
7. Ensure the CAM's record retention requirements expressly state the National Archives and Records Administration requirements.