



# **DEPARTMENT OF JUSTICE PURCHASE CARD EXPENDITURES RELATED TO HURRICANE RECOVERY EFFORTS**

U.S. Department of Justice  
Office of the Inspector General  
Audit Division

Audit Report 06-36

September 2006

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## INTRODUCTION

In the aftermath of Hurricane Katrina, the third most intense hurricane to hit the continental United States, government purchase cards gained notoriety for weak internal controls that could result in improper and wasteful purchases, as well as missing or stolen assets.<sup>1</sup> As a result, the Department of Justice (DOJ) Office of the Inspector General (OIG), in coordination with the President's Council on Integrity and Efficiency (PCIE), completed an audit of DOJ's purchase card expenditures related to hurricane relief and recovery efforts.<sup>2</sup>

### Audit Objectives and Scope

Our audit reviewed whether DOJ components: (1) employed effective internal controls over hurricane relief purchase card transactions to ensure that problems are minimized, (2) authorized and validated hurricane-related purchase card transactions, and (3) received the hurricane-related goods and services that were purchased.<sup>3</sup> The following DOJ components reported having hurricane-related purchase card transactions and were therefore included as part of this audit:

- United States Marshals Service (USMS)
- Federal Bureau of Prisons (BOP)
- Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
- Federal Bureau of Investigation (FBI)
- Drug Enforcement Administration (DEA)
- Executive Office for United States Attorneys (EOUSA)

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<sup>1</sup> Internal controls are broadly defined as the policies and procedures established to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

<sup>2</sup> We conducted our audit as part of the PCIE's examination of federal relief efforts affected by Hurricanes Katrina, Rita, and Wilma. As such, a copy of this report will be forwarded to the PCIE Homeland Security Working Group.

<sup>3</sup> See Appendix I for more information on our objectives, scope, and methodology.

- Community Relations Service (CRS)
- Office of Justice Programs (OJP)

We identified critical control points in the purchase card process and developed tests to determine if proper internal controls were implemented to minimize misuse. We also conducted tests to determine whether transactions were authorized and valid, and if the purchased goods or services were received.

## **The DOJ Purchase Card Program**

The Justice Management Division (JMD) is responsible for the operation of the purchase card program for the DOJ's Offices, Boards, and Divisions (OBDs).<sup>4</sup> Each DOJ component that is not considered an OBD, such as the FBI, DEA, and USMS, manage their own purchase card programs. Within each DOJ component, certain individuals are assigned the following purchase card responsibilities:

- Purchase Card Coordinators implement internal controls to ensure compliance with federal laws and agency regulations, and monitor program effectiveness. Their responsibilities include overseeing the establishment and maintenance of a master file of official cardholder records, training, appointment, single and monthly purchase limits, and related records. Coordinators also ensure cardholder statements and supporting documents are reviewed and utilized to monitor delinquency, misuse, and other transaction activities.
- Approving Officials (AO) ensure that internal controls are implemented for the purchase card program within offices where the cards are issued. To verify compliance with DOJ and component policies and procedures, all purchase card transactions are subject to mandatory monthly reviews conducted by AOs. The scope of monthly reviews includes purchase card expenditure limits, suitability of items purchased, and selection of reliable vendors.

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<sup>4</sup> The OBDs are comprised of 35 enforcement, litigating, and policy-making components of the DOJ with a variety of missions and programs. EOUSA and CRS are also part of the OBDs.

AOs must also take a refresher training course at a minimum of once every 3 years.

- Cardholders are the day-to-day users of the purchase card, with the responsibility for using it in accordance with DOJ and component policies and procedures. A cardholder's purchase card responsibilities include: (1) limiting purchases to authorized thresholds, (2) purchasing only appropriate and approved items, (3) maintaining a purchase log, (4) maintaining supporting documents for purchases, and (5) taking refresher training at a minimum of once every 3 years.

The following table provides a summary of relevant statistics concerning the DOJ's purchase card program

### **The DOJ's Purchase Card Program**

Number of Active Accounts	11,032
Percentage of DOJ employees that are cardholders	15%
Ratio of purchase cardholders to Approving Officials	4:1
Average number of purchase card transactions reviewed per Approving Official	59

Source: JMD reported to the Office of Management and Budget (OMB) January 31, 2006

### **Changes to Purchase Card Procedures Following 2005 Hurricanes**

Purchase card authority is based on the delegated procurement authority of the cardholder. Most cardholders are limited to the micro purchase threshold of \$2,500 per transaction. However, cardholders with contracting officer-delegated authority may use purchase cards for acquisitions that exceed the micro purchase threshold up to their per transaction limit. In response to hurricane relief and recovery efforts, on September 8, 2005, DOJ authorized the use of emergency purchase card procedures to increase procurement dollar thresholds as shown in the following table:

## INCREASED THRESHOLDS FOR CONTINGENCY OPERATIONS

Procurement Level <sup>5</sup>	Threshold Increased	Exception	Comments
Micro Purchase	From \$2,500 to \$15,000	Construction contracts that are subject to the Davis-Bacon Act (threshold remains at \$2,000)	No competition required under the threshold. Simply place an order with a responsible source at a reasonable price.
Simplified Acquisition	From \$100,000 to \$250,000	Not applicable	Provides relief from the applicability of several laws, provisions, and clauses, listed at FAR 13.005c.
Commercial Items	From \$5 million to \$10 million	Not Applicable	May use simplified procedures of FAR part 13, allowing for limited competition.

Source: Acquisition Solutions Research Institute: Acquisition Directions Advisory, September 2005.

The September 8, 2005, guidance further provided the following direction:

- The increased threshold delegations should be selectively provided as needed,
- Procurements using the increased authority must have a clear and direct relationship to the support of the hurricane relief and recovery efforts, and

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<sup>5</sup> The Federal Acquisition Regulation (FAR) is the primary criteria for use by all Federal Executive Agencies in their acquisition of supplies and services with appropriated funds. A micro purchase is the acquisition of supplies or services, the aggregate amount of which does not exceed \$2,500, except as they pertain to construction contracts subject to the Davis-Bacon Act or contingency operations. A simplified acquisition refers to the methods described in FAR part 13 for purchases of supplies or services with an anticipated dollar value exceeding \$2,500 but not exceeding \$100,000. According to the FAR, agencies shall use simplified acquisition procedures to the maximum extent practicable for all purchases of supplies or services not exceeding the simplified acquisition threshold (including purchases at or below the micro purchase threshold). A commercial item refers to items, other than real property, that is customarily used by the general public.

- The increased threshold authority expired 120 days after the September 8, 2005, guidance.<sup>6</sup>

Although each component had the authority to increase thresholds as a result of hurricane relief and recovery efforts, CRS and OJP did not raise thresholds or make other changes to their purchase card processes. The following chart details changes each component made to its purchase card procedures:

### Changes Due to Hurricane Recovery Efforts

Change	EOUSA	ATF	FBI	BOP	DEA	USMS
Purchase card limits increased for select cardholders.	X	X	X	X	X	X
Fund availability was approved at a higher authority.		X				
Components centralized hurricane recovery purchases. <sup>7</sup>		X	X			
Emergency Purchase Cards provided without training.					X	
Purchase Request (approval) form not always completed prior to purchase.					X	
Headquarters obligated funds rather than field offices.					X	

Source: OIG interviews of component personnel.

Extra procedures were generally implemented to provide greater oversight of transactions related to the hurricane relief and recovery effort (e.g., centralized hurricane recovery purchases, funds approved at a higher authority, headquarters obligating funds). However, DEA also enacted procedures to speed the relief efforts, such as issuing emergency cards without training.

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<sup>6</sup> On October 3, 2005, OMB issued further guidance to Executive Departments and Agencies. The guidance stated that OMB concluded that the need for the increased micro purchase threshold had diminished. Therefore, OMB requested that agencies not utilize the increased micro purchase threshold unless there were exceptional circumstances.

<sup>7</sup> For hurricane-related transactions, the FBI and ATF ratio of cardholders to AO (span of control) was less than 4:1. As discussed later in this report, we observed that the overall span of control in the FBI and ATF far exceeded 4:1.

## AUDIT RESULTS

### Transaction Testing

As shown in the following table, we tested \$3.8 million of the \$5.2 million (72 percent) that DOJ reported as purchase card expenditures related to hurricane relief from August – December 2005. Most of the purchase card transactions were for consumable items that fell well within the micro purchase threshold. Such items included fuel, telecommunications equipment, hydration packs, medical kits, office supplies, clothing, and batteries. Items that exceeded the micro purchase threshold included generators, trailers, and tents.

### Transaction Universe and Sample

Component	Sample		Universe		Percent of Transactions	Percent of Dollars
	Number of Transactions	Dollars	Number of Transactions	Dollars		
CRS	5	\$2,556	5	\$2,556	100%	100%
OJP	1	\$430	1	\$430	100%	100%
USMS	81	\$232,525	401	\$368,038	20%	63%
BOP <sup>8</sup>	54	\$564,179		\$1,125,549		50%
ATF	65	\$942,310	2,491	\$1,245,852	3%	76%
FBI <sup>9</sup>	67	\$1,873,599	507	\$2,178,418	13%	86%
DEA	40	\$146,347	200	\$273,238	20%	54%
EOUSA	25	\$35,316	111	\$47,530	23%	74%
<b>Totals</b>	<b>338</b>	<b>\$3,797,262</b>	<b>3,716</b>	<b>\$5,241,611</b>	<b>8%</b>	<b>72%</b>

Source: Component records.

Our audit generally found that the tested purchase card transactions were authorized and valid, and that the goods or services were received. However, we noted the following exceptions:

<sup>8</sup> BOP did not provide individual transactions but summary totals by cardholder; therefore, the number of transactions in the universe was not available.

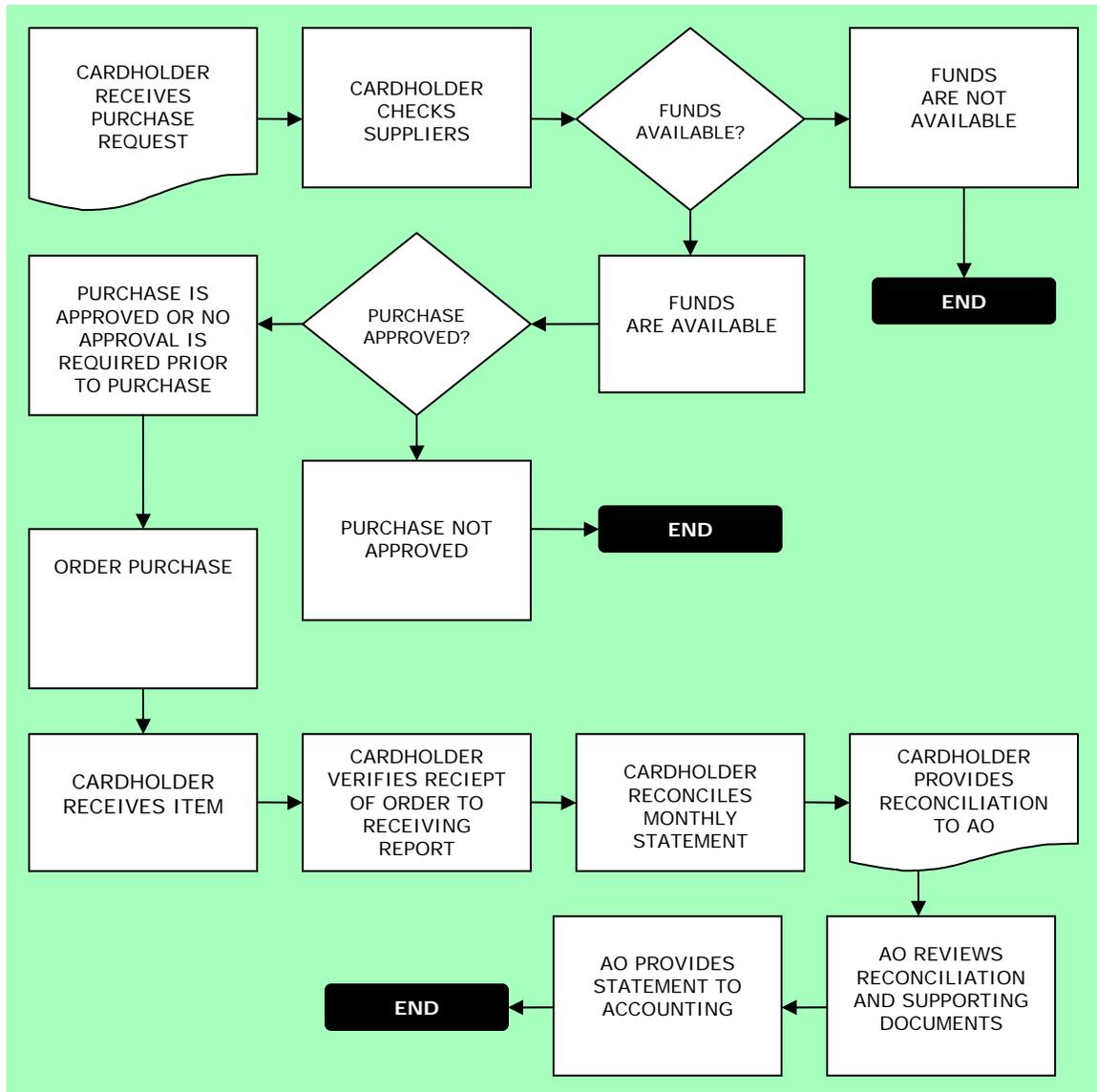
<sup>9</sup> Three transactions tested totaling approximately \$811,958 were identified by the FBI as purchase card transactions. However, we later determined that the transactions were not purchase card transactions but purchase orders. Additionally, two transactions totaling \$11,580 were either not billed for as of December 31, 2005, or cancelled.

- The FBI was not able to provide adequate supporting documentation for two transactions totaling \$19,374. For these transactions, the FBI was unable to provide an invoice that reconciled to the purchase card statement. According to the FBI's criteria, when an acquisition is made using a purchase card, a receipt document shall be retained as proof of purchase. All documents, including receipts, packing slips, purchase logs, dispute forms, and invoices, pertaining to purchase card transactions, must be retained for a period of 5 years from the cardholders statement date. The FBI's criteria also states that if for some reason a cardholder does not have a proper receipt for any transaction, a document must be prepared that contains all appropriate information normally contained on a receipt (including vendor name, date of transaction, description, and dollar amount) and an explanation as to why the original receipt is not available. For the two transactions, such a document was not prepared.
- The ATF did not maintain invoices to support 4 transactions totaling \$25,110. Although the ATF was able to provide the invoices after contacting the vendors, the missing invoices may indicate that the AO was not adequately reviewing cardholder reconciliations. According to the ATF's criteria, the AO must review the monthly billings and supporting documents to ensure cardholder's purchases were made for government purposes and are in accordance with regulations. The invoices should have been maintained in order to complete reconciliation.
- We could not verify that BOP received purchased goods or services related to 17 transactions totaling \$112,328 because cardholders did not retain confirmations that purchased items were received.
- One USMS transaction totaling \$794.43 was unsupported.

## Internal Controls

As shown in the following chart, DOJ components generally had similar purchase card procedures:

### PURCHASE CARD PROCEDURES



Source: OIG interviews and component policies and procedures

Our audit found sufficient written operational procedures that were generally followed for the transactions we reviewed. However, we identified two overall areas of concern: training and the ratio of cardholders to AOs, also known as the span of control.<sup>10</sup>

### Training

Cardholders, AOs, and purchase card coordinators are required to complete training prior to the issuance of a purchase card. In addition, purchase card refresher training must be completed every 3 years and ethics training every year. The training emphasizes the responsibilities of the cardholder and AO to ensure the card is not misused. As shown in the following table, all components conducted some method of initial purchase card training. However, some components indicated they did not conduct refresher training.

#### **Component Training**

<b>Component</b>	<b>Initial Training Method</b>	<b>Refresher Course</b>
<b>EOUSA</b>	GSA Online Training	YES
<b>ATF</b>	GSA Online Training	NO
<b>FBI</b>	In-House Training	NO
<b>BOP</b>	In-House Training	YES
<b>DEA</b>	In-House Training	YES
<b>USMS</b>	GSA Online Training	NO
<b>OJP</b>	In-House Training	NO
<b>CRS</b>	GSA Online Training	YES

Source: Interviews with Cardholders, Approving Officials, and Program Coordinators.

During the audit we observed instances that emphasized the need for refresher training. Those instances include:

- Some cardholders were not aware that they were precluded from charging items such as hotel conference room charges, travel, and construction services.
- Some cardholders did not verify the availability of funds prior to making a purchase or did not document the verification of funds, and

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<sup>10</sup> See Appendix II for a summary of internal control issues by component.

- Some cardholders and AOs did not obtain or retain all the required supporting documentation specified by JMD in order to validate the purchase.

### Span of Control

The span of control that an AO maintains may have a significant impact on the AO's ability to provide competent and timely oversight of a purchase card's use. In a previous OIG review, we recommended a span of control of no more than 7 cardholders to an AO, or a total of 300 transactions per month.<sup>11</sup> Six of the 8 components maintained an average span of control of 4 cardholders to 1 AO. However, ATF has on average 65 cardholders per AO, with 23 AOs responsible for over 100 cardholders. The FBI has on average 23 cardholders per AO, with 5 AOs responsible for 50 or more cardholders. In addition, we found that ATF and FBI have AOs that are cardholders in the same group, which may allow the AOs to approve their own transactions.<sup>12</sup>

### **Conclusion**

Our audit found that nearly all of the hurricane-related purchase card transactions we tested were authorized, valid, and the goods or services purchased were received. However, we identified internal control issues that should be corrected to ensure that future government funds are not at risk. Specifically, we found that the FBI and ATF had excessive cardholder to AO spans of control. Further, we determined that AOs and cardholders need refresher training and such training should emphasize the requirement to document the availability of funds, the prohibited purchases, and the importance of retaining adequate documentation.

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<sup>11</sup> Department of Justice, Office of the Inspector General, Investigations Division, Fraud Detection Office, *Review of the Department of Justice Charge Card Program*, April 2005. The review noted that instead of names, cardholder profiles listed positions which made it impossible to use data mining techniques to determine the cardholder to AO ratio. During our audit we reviewed cardholder profile data and observed that some of the profiles listed positions rather than names. The report recommended that components update cardholder profile data in order to take advantage of data-mining and other techniques for reviewing purchase card transactions for possible misuse.

<sup>12</sup> ATF has 35 approving officials who are cardholders in the same group. The FBI has 26 approving officials who are cardholders in the same group.

## **Recommendations**

We recommend that EOUSA, FBI, DEA, USMS, OJP, CRS, BOP, and ATF:

1. Ensure that cardholder profiles are updated and a maximum ratio of 7 cardholders to 1 AO, or total of 300 transactions per month is maintained.
2. Reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation.

We recommend that ATF, FBI, USMS, and OJP:

3. Institute required purchase card refresher training.

## STATEMENT ON COMPLIANCE WITH LAWS AND REGULATIONS

We audited hurricane relief purchase card transactions in eight DOJ components.<sup>13</sup> The audit covered the period from August 2005 to December 2005. The audit was conducted in accordance with the generally accepted *Government Auditing Standards*.

Compliance with laws and regulations is the responsibility of the individual components. In connection with the audit and as required by the Standards, we reviewed procedures, activities, and records to obtain reasonable assurance about the components' compliance with laws, regulations, and Office of Management and Budget (OMB) criteria that, if not complied with, could have a material effect on program operations.

Our audit included examining, on a test basis, evidence about laws, regulations, and OMB Circulars. The specific laws and regulations for which we conducted tests are contained in the relevant portions of:

- OMB Circular A-123
- Federal Acquisition Regulation, Part 13 – Simplified Acquisition Procedures

We also reviewed the following laws and regulations, and purchase card related documentation and procedural manuals applicable to the components' administration of the hurricane relief purchase card transactions:

- September 8, 2005 Memorandum, DOJ Procurement Guidance Document 05-05 - Increased Thresholds for Procurements in Support of Hurricane Katrina Relief and Recovery Efforts

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<sup>13</sup> The eight components were the: United States Marshals Service (USMS), Federal Bureau of Prisons (BOP), Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), Executive Office for United States Attorneys (EOUSA), Community Relations Service (CRS), and Office of Justice Programs (OJP).

- October 3, 2005 Executive Office of the President Memorandum – Limitation on Use of Special Micro-purchase Threshold Authority for Hurricane Katrina Rescue and Relief Operations.
- Justice Management Division's Purchase Card Program for Simplified Acquisitions Manual.
- Component purchase card procedures and manuals
- GSA Purchase card On-line Training
- FBI Purchase card training.

Except for the instances of noncompliance identified in the Audit Results section of this report, the hurricane relief purchase card transactions were in compliance with the laws and regulations referred to above.

## APPENDIX I

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine if DOJ components: (1) employed effective controls over hurricane relief purchase card transactions to ensure that problems are minimized, (2) authorized and validated hurricane-related purchase card transactions, and (3) received the hurricane-related goods and services that were purchased. We conducted our audit in accordance with *Government Auditing Standards* and included such tests as were considered necessary to accomplish our objectives. Our audit concentrated on identified hurricane relief purchase card transactions for the period August 2005 through December 2005.

We obtained an understanding of each component's purchase card process by interviewing pertinent component personnel including cardholders, AOs, and purchase card administrators. In addition, we reviewed the JMD *Purchase Card Program for Simplified Acquisitions Manual*, and the individual component policies and procedures.

As part of our audit, we obtained from the DOJ components a universe of hurricane relief purchase card transactions. We performed limited testing on the data. Although we are not expressing an opinion on the data, we believe that the data used for our sampling and testing purposes was reliable to the extent needed. There are eight DOJ components that acknowledged hurricane relief purchase card transactions. The following table summarizes the total expenditures provided to our office for the period August 2005 through December 2005.

#### Purchase Card Transaction Universe

Component	Dollars
CRS	\$ 2,556
OJP	430
USMS	368,038
BOP	1,125,549
ATF	1,245,852
FBI	2,178,418
DEA	273,238
EOUSA	47,530
Totals	\$5,241,611

We conducted tests to determine whether transactions were authorized, valid, and received.<sup>14</sup> We identified control points and developed tests to determine if proper internal controls were implemented and followed to prevent or minimize the misuse of government purchase cards. The sample selections were made based upon the following methodology:

**OIG SAMPLING PLAN  
(By Component)**

Component	Methodology
<b>EOUSA, FBI, ATF, USMS, and DEA</b>	We applied a three tiered approach to sampling: (1) we selected the 25 high-dollar purchases; (2) we determined the top four purchasers from the component and selected a maximum of 25 transactions per top high-dollar purchaser; (3) we reviewed the universe of hurricane transactions and selected individual transactions that were either incomplete, unusual, or possible split purchases.
<b>OJP, CRS</b>	Due to limited transactions, we selected 100% of the hurricane relief purchases.
<b>BOP</b>	We selected the top five purchasers and added an additional high-dollar purchaser at the Coleman and Beaumont sites.

Source: OIG Transaction Testing

Once we identified the transactions to test, we grouped locations together in order to efficiently test each of the component's transactions. For the areas where we had few transactions, we secured hard copy documentation from the component and conducted phone interviews.

This audit was not made for the purpose of providing assurance on the components' internal controls over purchase card transactions as a whole. Because we are not expressing an opinion on the component's controls over purchase card transactions as a whole, this statement is intended solely for the information and use of the component's management in monitoring the purchase card program. This restriction is not intended to limit the distribution of this report.

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<sup>14</sup> A majority of the items tested were consumables such as water, food, fuel, office supplies, batteries, and clothing. Therefore we were not able to physically verify the existence of the items. Further, some items were services such as repairs of machinery and cleaning services that did not lend themselves to physical verification.

## APPENDIX II

### SUMMARY OF INTERNAL CONTROL ISSUES

Internal Control Issue	Policy	Component
Cardholders were unaware they are precluded from purchasing certain items with their purchase cards.	JMD policy indicates certain items that are not allowed to be purchased using the government credit card. Additionally, EOUSA policy states that the purchase card may not be used for personal purchases, ATM transactions, Travel and subsistence (except as defined at FAR).	EOUSA, FBI, BOP, USMS, DEA, CRS
Refresher training was not provided.	OMB Circular A-123, Appendix B states that purchase card refresher training must be completed every three years.	ATF, FBI, USMS, OJP
Average Cardholder to AO Ratio was higher than the JMD prescribed 15:1 ratio.	JMD policy states that the approving official cannot have oversight of more than 15 cardholder accounts.	ATF, FBI
The cardholders did not verify funds prior to purchase.	In accordance with Federal Appropriations Law, funds must be certified available in writing prior to placing the purchase card order. In addition FAR 1602-2 states that contracting officers responsibilities include ensuring that sufficient funds are available.	ATF
The cardholder did not document the availability of funds.	In accordance with Federal Appropriations Law, funds must be certified available in writing prior to placing the purchase card order. In addition FAR 1602-2 states that contracting officers responsibilities include ensuring that sufficient funds are available.	ATF, OJP, CRS
The cardholder/AO did not retain all required supporting documentation.	JMD policy states that cardholders have the responsibilities to maintain a purchase card file for each month of the fiscal year. The file should include purchase card request, certified funding documentation for purchases, applicable FAR and department clauses/provisions, receiving report or statement that the goods/services have been received, invoice and statement.	ATF, BOP, FBI, USMS

## **APPENDIX III**

### **RESPONSES TO THE DRAFT REPORT**

We provided a draft audit report to the components involved for review and comment. The JMD, as DOJ's Agency Program Coordinator, responded to the draft report as well as 7 of the 8 components we audited. The CRS deferred its comments to JMD, as the DOJ component responsible for the purchase card program for the OBDs. All the responses are incorporated into this appendix. Appendix IV contains the OIG analysis of each response, and a summary of actions necessary to close the report.

# EOUSA RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Executive Office for United States Attorneys

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Office of the Chief Operating Officer

Operations  
Room 8105, Bicentennial Building (202) 616-6600  
600 E Street, NW FAX (202) 305-1706  
Washington, DC 20530

July 28, 2006

Troy M. Meyer, Regional Audit Manager  
Washington Regional Audit Office  
Office of the Inspector General  
U.S. Department of Justice  
1300 North 17<sup>th</sup> Street, Suite 3400  
Arlington, VA 22209

Dear Mr. Meyer:

We have reviewed the draft audit report - Department of Justice Purchase Card Expenditures Related to Hurricane Recovery Efforts. Per our discussion today, two of the recommendations require our response, as follows:

**Recommendation No. 1: Ensure that cardholder profiles are updated and a maximum ratio of 7 cardholders to 1 AO is maintained.**

The Justice Management Division (JMD) issues purchase cards to all Executive Office for U. S. Attorneys (EOUSA) and United States Attorneys Office cardholders. JMD also maintains cardholder profiles. We will support JMD in the profile update process.

Although EOUSA agrees with the maximum ratio of 7 cardholders to 1 AO, published JMD guidance on the maximum ratio continues to be 15:1. Hence, the option to have that ratio still exists. We have, therefore, updated our United States Attorneys' Procedure No. 3-13.100.001(M) to read as follows:

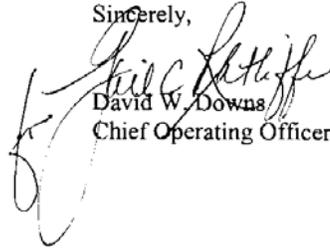
*Approving Official (AO) is responsible for ensuring that the transactions placed on purchase cards under their purview were for bonafide official government purposes and that funds were available. A maximum of 7 cardholders to 1 approving official is recommended, and under no circumstances shall the ratio exceed 15:1.*

**Recommendation No. 2: Reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation.**

EOUSA agrees. We have updated our Purchase Card USAP (cited above) and today have sent an email to all USAO Administrative Officers asking they require cardholders read the updated guidance.

If you require further information or documentation, please call me on 202.616.6600.

Sincerely,

A handwritten signature in black ink, appearing to read "David W. Downs", is written over the typed name and title. The signature is fluid and cursive, with a large loop at the end.

David W. Downs  
Chief Operating Officer

## DEA RESPONSE TO THE DRAFT AUDIT REPORT



U. S. Department of Justice  
Drug Enforcement Administration

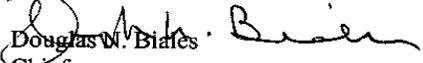
[www.dea.gov](http://www.dea.gov)

Washington, D.C. 20537

JUL 28 2006

### MEMORANDUM

TO: Troy M. Meyer  
Regional Audit Manager  
Washington Regional Audit Office  
Office of the Inspector General

FROM:   
Douglas W. Biales  
Chief  
Executive Policy and Strategic Planning Staff

SUBJECT: OIG Draft Report Response: *Department of Justice Purchase Card Expenditures Related to Hurricane Recovery Efforts*

The Drug Enforcement Administration (DEA) has reviewed the Department of Justice (DOJ) Office of the Inspector General's (OIG) Draft Report entitled, *Department of Justice Purchase Card Expenditures Related to Hurricane Recovery Efforts*. DEA provides the following response to recommendations 1 and 2.

**OIG Recommendation 1: Ensure that cardholder profiles are updated and a maximum ratio of 7 cardholders to 1 AO is maintained.**

**DEA Response:** To ensure that cardholder profiles are accurate, updated, and maintained, the Purchase Card Program has been decentralized throughout DEA field divisions, laboratories, and foreign offices. There are four domestic and five foreign hierarchy levels that have been established. Each hierarchy level documents the position responsibilities that ensure compliance with program policies. The hierarchy levels are documented in DEA's Purchase Card Handbook. In addition, the Local Agency Program Coordinator (LAPC) and Purchase Card Approving Official (PCAO) have been instructed, in accordance with the DEA Purchase Card Handbook, to ensure cardholder profiles are current and that the maximum ratio of cardholders to Administrative Officer's (AO) is observed in establishing new accounts. Chapter 2, sections 2-5, of the DEA Purchase Card Handbook, states that additional cardholders may be added to an existing PCAO, but normally not to exceed seven cardholders per PCAO. Furthermore, a DEA Purchase Cardholder Account form is used to establish a purchase card holder account. This form is also used to facilitate the accuracy of cardholder profiles. When there is a change in an APC, PCAO, LAPC, or their contact information, a new account form is submitted to the headquarters program coordinator to document and memorialize the change. Copies of all Purchase Card Account forms are maintained by the APC at headquarters for

future auditing purposes.

**OIG Recommendation 2: Reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation.**

**DEA Response:** Since the initiation of the DEA Purchase Card Program, management controls and restrictions have been established and implemented on the types of purchases that can be made under the Purchase Card Program by restricting certain Merchant Category Codes. These restrictions have been issued in a Purchase Card Flash, which is an internal email news and policy notice. Purchase Card Flash notices are issued to LAPCs for local distribution to all card holders and are posted on DEA's intranet website. This Purchase Card Flash, dated December 2005, has also been included in section 1-4.4 in DEA's Purchase Card Program Handbook. Should a cardholder attempt to make a purchase from a restricted merchant, the purchase is declined by software at the point of sale, because all DEA purchase cards are coded to reject a particular Merchant Category Code. The list of restricted Merchant Category Codes is reviewed annually and new codes are added or changed to meet the needs of DEA customers and operations. Also contained in the Purchase Card Handbook are the requirements to document the availability of funds before a purchase can be made with a purchase card, and the importance of retaining required supporting documentation for each purchase.

Based on established DEA policy and the information provided herein, DEA is in compliance with the stated recommendations and requests that they be closed. If you have any questions regarding this information, please contact Janice Hewitt, Audit Liaison, at 202-307-5411.

cc: Michele M. Leonhart  
Deputy Administrator

Richard P. Theis  
Director, Audit Liaison Group  
Management and Planning Staff

## FBI RESPONSE TO THE DRAFT AUDIT REPORT

U.S. Department of Justice

Federal Bureau of Investigation

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Washington, D. C. 20535-0001

August 7, 2006

Mr. Troy M. Meyer  
Regional Audit Manager  
Washington Regional Audit Office  
Office of the Inspector General  
U.S. Department of Justice  
1300 North 17th Street, Suite 3400  
Arlington, VA 22209

Dear Mr. Meyer:

In accordance with the audit entitled "Department of Justice Purchase Card Expenditures Related to Hurricane Recovery Efforts," the response from the Federal Bureau of Investigation (FBI) is as follows:

Reference: Draft Audit Report - First paragraph - Page 7

The FBI takes exception to the dollar value of \$19,374, indicated in regards to the absence of supporting documentation associated with the referenced transactions. Separate and independent discussions regarding this issue were held at the request of the FBI on June 22, 2006, at FBI Headquarters with the Office of the Inspector General's (IG) Audit staff and, again, immediately following the DOJ exit conference held on June 27, 2006.

**Baton Rouge Police Supply:**

In order to furnish appropriate gear and equipment for FBI employees, a Blanket Purchase Agreement (BPA) was established by Contracting Officer Theresa M. Powell, who was temporarily deployed from FBI Headquarters to on site in Baton Rouge, LA, responding to the need for emergency purchases resulting from Hurricane Katrina. The BPA arrangement established a list of approved items that would be made available to FBI employees on an "as needed" basis. The IG Audit staff claims that the four invoices provided did not correspond to the amount of \$15,700.97, shown as "expended" by the FBI. The FBI explained to the IG Audit staff on June 22, 2006, that the amounts provided to the IG Audit staff were budgetary amounts, not actual expenditures. An estimate of \$15,700.97 was provided to FBI Headquarters by Ms. Powell for anticipated expenditures against this BPA.

Mr. Meyer

The FBI provided invoices for all except two of the purchases made during the period of audit against the established BPA (Invoice, dated 10/03/2005, in the amount of \$1,235.00 and invoice, dated 10/04/2005, in the amount of \$71.98, for a total of \$1,306.98 were not provided). Additionally, two other charges for convenience check fees of \$1.50 each were included in CO Powell's statement for Baton Rouge Police Supply and this was explained to the IG Audit staff. This is an administrative fee charged by JP Morgan Chase whenever a convenience check is utilized. An invoice/receipt is not provided other than the charge appearing on the account holders' monthly statement. Regarding the two invoices totaling \$1,306.98, the FBI has attempted to obtain those invoices; however, Baton Rouge Police Supply has advised that they are in storage. The FBI will continue efforts to obtaining the remaining two documents. The IG Audit report should be changed to reflect the correct unsupported amount of \$1,306.98 for this item.

**Merchandise Distributors:**

Ms. Powell solicited quotes to fill a requirement for 750 batteries. A quote in the amount of \$3,673.30 was obtained from GSA Advantage via the internet. Due to the size of the order, multiple shipments were provided from multiple distribution points. All items were shipped and subsequently, billed to Ms. Powell's government purchase card. The purchase card statement associated with this purchase correctly reflects the amount quoted electronically of \$3,673.30. The IG Audit staff requested Ms. Powell to provide a copy of the invoice associated with the purchase. When Ms. Powell attempted to obtain an invoice from GSA Advantage from the electronic website, the invoice reflected a price of \$3,710.45 - a price slightly higher than the price quoted and charged to Ms. Powell's purchase card account. Ms. Powell believes that she was provided a discount at the time she ordered the batteries. Regardless, since the invoice is higher than the quote (the binding document) and Ms. Powell's purchase card was charged the quoted price, the FBI does not understand why this is an issue with the IG Audit staff. Nevertheless, the difference is only \$37.15. The IG Audit report should be changed to reflect this amount if mentioned at all.

Mr. Meyer

Based on the above, the total discrepancy (unsupported) amount for both of these purchases is \$1,344.00 rather than the \$19,374.00 represented in the draft report. In both cases, there is no evidence of poor record keeping or lack of internal controls.

Also note, no mention is made in the draft report that Ms. Powell is a senior Contracting Officer and has vast experience and knowledge in handling such catastrophic events as Katrina. Ms. Powell has been deployed in an identical capacity during the Oklahoma City bombing of the Federal Building, the hostage situation in Waco, Texas, the Egypt Airplane crash in New York, the Louisiana Prison Riots and the Eric Rudolph case. In all deployments, Ms. Powell has not only provided excellent logistic and mission critical support, but has done so by positioning herself at the front line of the events. The IG auditors reviewed documentation for over \$1.8 million dollars in transactions primarily purchased by Ms. Powell, with \$1,344.00 arguable, unsupported. It should be noted that this type of disaster, deployment procedures are considered a best practice. Employee caliber, experience and constant communication with key FBI Headquarters' programs and functions are essential components of a successful operation. These practices employed by the FBI should be mentioned in the report.

**RECOMMENDATIONS STATED IN THE AUDIT REPORT**

1) Ensure that cardholder profiles are updated and a maximum ratio of 7 cardholders to 1 approving official is maintain.

Response: The FBI agrees with this recommendation.

Comments: The FBI is aware of the cardholder to Approving Official ratio mandated by OMB Circular A-123. Noncompliance with this policy is not based on poor management of the Purchase Card Program but rather, substantial growth of the program with the addition of approximately 300 new cardholders each fiscal year. The program manager's mission has been diverted and focused on meeting the mission critical needs of the employees. The purchase card is a vital procurement tool for the end user and is an effective and efficient method of streamlining the acquisition process.

Mr. Meyer

The FBI's current organizational and hierarchy structure, card distribution, locations and management sources will be reviewed to determine the most feasible assignment of cardholder to Approving Official. Guidance, direction and support will also be solicited from the DOJ Program Office to meet this goal. Based on discussions between Mr. Harold Belcher (DOJ) and Mr. Troy Meyer (OIG), the FBI will address the ratio for nine divisions with transaction counts that exceed 300 per month. Additional Approving Officials for these nine divisions will be identified and established by December 30, 2006. This process would include identification of appropriate Approving Officials, assignment of cardholders and appropriate training.

2) Reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds and the importance of retaining required supporting documentation.

Response: See response to recommendation #3 below.

3) Institute required purchase card refresher training.

Response: The FBI agrees with this recommendation.

Comments: Again, while the FBI is making every effort to meet this need, it does not currently possess adequate resources, training facilities, and training/travel funding to meet this requirement. The FBI's policy is to provide face-to-face training of all new cardholders. Attendees are issued a Government Purchase Card as well as appointed as a warranted contracting officer for the purchase card only. Where space and funding permits, existing cardholders may attend this same training course to obtain refresher training. In addition, the FBI cannot take advantage of Internet-based training products such as offered by GSA.gov, due to the fact that we operate under a closed, secure computer network environment. Connection to the outside world/Internet is available on a very small scale and in most cases, a single stand-alone Internet terminal must be shared by approximately 30 employees. Investigative operations would, of course, take priority in utilizing such limited technical resources.

Realizing this dilemma, the FBI's Program Office has issued a task order in 2005, under an existing contract, to build a database primarily to address the Acquisition Workforce initiative issued by OMB. An extension of this end product would include Contracting Officer, COTR, and purchase card user information as well as building contracting and P-card training

Mr. Meyer

modules and issuing warrant letters and certificates. We are currently in the database structure and prototype stages of this effort and do not foresee the training modules to be available for another 18-24 months.

In the interim, the FBI will continue to pursue alternate methods of providing the required refresher training. Again, the FBI will work in concert with the DOJ Program Office to meet this goal and objective. Discussions were held between Mr. Belcher and Mr. Meyer the week of July 24, 2006, which resulted in the following schedule.

Cardholders requiring Refresher Training - approximately 1,367

Training of Field Approving Officials - 56 by November 1, 2006

Field Approving Officials to train cardholders - 1,050 by April 1, 2007.

Training of HQ Approving Officials - 33 by March 1, 2007

Training of HQ Cardholders - 317 by June 1, 2007

Validation of this training will be provided to both DOJ and OIG in appropriate format (copies of sign-in registers, training date, etc.) shortly after each event.

As a footnote to this issue, it should be noted that the FBI's cardholder to Approving Official ratio for the Hurricane Katrina deployment effort was one-to-one.

#### **APPENDIX II - INTERNAL CONTROL ISSUES**

Finding: Cardholders were unaware they were precluded from purchasing certain items with the purchase cards.

Comments: The FBI is confused by this finding/statement. Immediately following the exit conference held on June 27, 2006, the FBI requested the IG Audit staff to provide additional information so this Finding could be immediately addressed by the FBI. The response provided by the IG Audit staff to this request was that, "several" employees could not identify prohibited items. Such a response is unacceptable as it does not permit the FBI to resolve the issue. As a follow-up to this Finding, the FBI P-card Program Manager contacted all of the employees selected by the IG Audit staff for potential interview during the audit. All of these employees emphatically stated that such a

Mr. Meyer

question was never asked of them. The FBI's purchase card training covers the issue of "precluded purchases." FBI internal audits of cardholder purchases has never disclosed such a problem. The FBI requests the IG Audit staff to support this finding so the FBI can adequately address this finding by providing the name(s) of the individuals so they can receive additional training or P-card revocation.

Current Do Not Buy List:

As defined by GSA Smart Card Program:

1. Long term lease of land or buildings
2. Travel or Travel related expenses  
May be used for meeting spaces, local transportation services, Metro fare cards, subway tokens, etc.
3. Cash Advances

As defined by the FBI:

Weapons (P-card may be used as a payment mechanism for Contract Invoices).

The FBI will keep the DOJ/OIG advised as to the resolution of the Approving Official to Cardholder ratio as well as the progress of the required refresher training. We appreciate having the opportunity to discuss and resolve these issues with your office.

Sincerely yours,



Kevin L. Perkins  
Assistant Director  
Chief Financial Officer

## BOP RESPONSE TO THE DRAFT AUDIT REPORT

U.S. Department of Justice

Federal Bureau of Prisons

PROGRAM REVIEW DIVISION

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Washington, DC 20534

July 31, 2006

MEMORANDUM FOR TROY M. MEYER, REGIONAL AUDIT MANAGER  
WASHINGTON REGIONAL AUDIT OFFICE  
OFFICE OF THE INSPECTOR GENERAL

FROM:   
Michael W. Garrett  
Senior Deputy Assistant Director

SUBJECT: Response to the Office of Inspector General's  
(OIG) Draft Audit Report: Department of Justice  
Purchase Card Expenditures Related to Hurricane  
Recovery Efforts

The Bureau of Prisons appreciates the opportunity to respond to the recommendations from the OIG's report entitled Department of Justice Purchase Card Expenditures Related to Hurricane Recovery Efforts.

Please find the Bureau's response to the recommendations below:

**Recommendation #1:** Ensure that cardholder profiles are updated and a maximum ratio of 7 cardholders to 1 Approving Official (AO) is maintained.

**Response:** The Bureau concurs with the recommendation to ensure cardholder profiles are updated. On June 21 and 22, 2006, the National Agency Program Coordinator forwarded an E-mail to each local Agency Program Coordinator (APC) requesting all cardholder profiles be updated by July 20, 2006. In addition a memorandum (attached) from the Bureau's Procurement Executive was sent to all APCs, AOs, and credit card holders reminding them of this requirement. The Bureau also concurs with the recommendation to maintain a maximum ratio of 7 cardholders to 1 AO. The Bureau will continue to maintain this ratio and has included this requirement in the attachment. We anticipate corrective action

will be completed by July 20, 2006. We request this recommendation be closed.

**Recommendation #2:** Reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation.

**Response:** The Bureau concurs with this recommendation. As stated in recommendation 1, the attached memorandum was forwarded to remind staff of Bureauwide credit card policies. These policies are also reinforced during credit card refresher training every three years. We request this recommendation be closed.

If you have any questions regarding this response, please contact me at (202) 616-2099.

Attachment



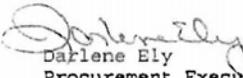
U.S. Department of Justice  
Federal Bureau of Prisons

Washington, DC 20534

July 10, 2006

MEMORANDUM FOR ALL LOCAL AGENCY PROGRAM COORDINATORS  
ALL APPROVING OFFICIALS  
ALL PURCHASE CARD CARDHOLDERS  
PURCHASE CARD PROGRAM

FROM:

  
Darlene Ely  
Procurement Executive

SUBJECT:

Department of Justice, Office of Inspector General  
Audit Findings and Recommendations

During a recent Department-wide audit of the purchase card program, the Office of Inspector General (OIG) identified areas of the purchase card program that need additional emphasis. Please review the following OIG recommendations and ensure compliance in your respective areas.

1. Purchases of prohibited items.

Prohibited items are things that you may not purchase with the purchase card. These include items for your personal use, travel-related purchases, cash advances, etc. You can find a more specific list in the Bureau of Prisons Acquisition Policy (BPAP) 13.301-70(j)(1), (2); Acquisitions Technical Reference Manual (TRM), Part 13, Attachment 13-A, Purchase Card Handbook, 9(a)(1), (2); and the Purchase Card training CD, "Prohibited Acquisitions".

2. Documentation of the availability of funds.

Cardholders shall make sure that the Cost Center Manager and the Approving Official (AO) (if different from the Cost Center Manager) have both noted the fund control (YREGDOC) number on the Purchase Card

Acquisition Form (PCAF) and have signed the PCAF, before the transaction occurs. The TRM, Purchase Card Handbook, "General Acquisition Procedures", and the Purchase Card training CD provide additional information.

3. Maintain supporting documentation.

Cardholders must maintain all available backup documentation for their transactions, which can include, but is not limited to, packing slips, receipts, invoices, reports, on-line order verifications, etc., and shall attach those documents to their statements as part of the reconciliation process. AOs, during their portion of the reconciliation process, shall also verify that Cardholders have provided supporting documentation for the transactions. SPAP 13.301-70(k), (s); TRM, Purchase Card Handbook at 5, "General Acquisition Procedures", at 6(a), "Delegations/ Responsibilities", Cardholder, and (c), "Approving Official"; and the Purchase Card training CD provide specific procedures.

4. Maintain updated cardholder profiles and a maximum ratio of seven cardholders to one AO.

As noted in an e-mail from the National Agency Program Coordinator, all profiles shall be reviewed and updated by July 20<sup>th</sup>. In addition, please ensure each AO only has a maximum of seven cardholders.

Please thoroughly assess the purchase card program at your location to determine whether refresher training in any or all of the identified areas is necessary. If you have any questions, please do not hesitate to contact me or David L. Graham, Chief, Acquisitions Management Section, at (202) 307-0985.

cc: All Regional Comptrollers  
Winston Dixon, Chief, FAO  
Corinna Van, MSTC  
Jim Wagner, COBO  
Paul Courtney, Chief, AB

## ATF RESPONSE TO THE DRAFT AUDIT REPORT



**U.S. Department of Justice**

Bureau of Alcohol, Tobacco,  
Firearms and Explosives

*Assistant Director*

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Washington, DC 20226

JUL 28 2006

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MEMORANDUM TO: Assistant Inspector General for Audit

FROM: Assistant Director (Office of Professional Responsibility and  
Security Operations)/CSO

SUBJECT: Draft Audit Report – Department of Justice Purchase  
Card Expenditures Related to Hurricane Recovery Efforts

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) appreciates the opportunity to respond to the recommendations from the Office of the Inspector General's (OIG) above-cited draft report. We appreciate this independent evaluation process to help us improve our ability to effectively plan and manage our resources more efficiently.

In general, ATF concurs with the findings and recommendations of this report. Our responses to your recommendations are as follows:

Recommendation 1 – Update cardholder profiles and maintain a maximum ratio of seven cardholders to one Authorizing Official (AO).

ATF Response – ATF does not have all of its approving officials listed in Pathway, the financial automated tracking system for purchase card transactions. To maintain uniformity in the Pathway data, and to reduce the administrative burden of maintaining this data in the system, ATF listed its hierarchy levels 2 and 3 approving officials in Pathway; not its hierarchy level 4 approving officials, which would include the field office supervisors. ATF is in the process of updating its manual listings to identify its approving officials by position in the Bureau and clarifying its policies and procedures in that area. ATF anticipates that it will complete the process by the end of this calendar year (CY).

Assistant Inspector General for Audit

Recommendation 2 – Reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation.

ATF Response – ATF will reinforce policies on what items are not allowed to be purchased with the charge card, the requirement to document the availability of funds, and the importance of retaining required supporting documentation. It will achieve this goal through an update of the Bureau order on card usage, refresher training, postings to the appropriate Bureau intra-web pages, and reminders issued to cardholders.

Recommendation 3 – Institute required purchase card refresher training.

ATF Response – ATF will institute required purchase card refresher training. The Bureau is currently contacting the Executive Office for United States Attorneys, the Bureau of Prisons, the Drug Enforcement Agency, and the Criminal Division, as well as other Federal departments and agencies to see if these organizations have existing refresher training. If ATF can use another component's refresher training, the training process for all cardholders would be greatly accelerated, and a cost-saving to the Government would occur. As an interim step, ATF will require all of its cardholders with purchasing authority to retake the GSA web based training by the end of CY 2006.

Should you have any questions or require additional information concerning this response, please contact Ms. Carol Campbell, Chief, Audit and Evaluation Branch, at (202) 927-8276.



Richard E. Chase

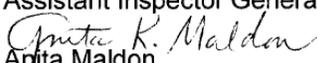
## USMS RESPONSE TO THE DRAFT AUDIT REPORT

*U. S. Department of Justice  
United States Marshals Service  
Business Services Division  
Procurement Office*

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July 28, 2006

MEMORANDUM TO: Guy K. Zimmerman  
Assistant Inspector General for Audit

FROM:   
Anita Maldon  
Procurement Chief

SUBJECT: Draft Audit Report – Department of Justice Purchase  
Card Expenditures Related to Hurricane Recovery Efforts

As requested, attached is the United States Marshals Service response concerning recommendations of the subject draft audit report dated June 30, 2006.

Should you have any questions or concerns regarding this response, please contact Yvonne Athanasaw, Audit Liaison, at (202) 305-8811.

Attachment

USMS Response to Draft Audit Report  
Department of Justice Purchase Card Expenditures  
Related to Hurricane Recovery Efforts

**Recommendation 1:** Ensure that cardholder profiles are updated and a maximum ratio of 7 cardholders to 1 AO is maintained.

**USMS Response:** USMS agrees with this recommendation and will issue a reminder to all cardholders and Approving Officials (AO) that emphasizes the importance of: ensuring cardholders' profiles are updated and maintaining a maximum of 7 cardholders to 1 AO. Completion date: August 30, 2006.

**Recommendation 2:** Reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation.

**USMS Response:** USMS agrees with this recommendation will issue a reminder to all cardholders and AOs that reinforces the need for adherence to existing policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining supporting documentation. Completion date: August 30, 2006.

**Recommendation 3:** Institute required purchase card refresher training.

**USMS Response.** USMS agrees with this recommendation and will institute the requirement for purchase card refresher training. Completion date: August 30, 2006.

## OJP RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

*Office of the Assistant Attorney General*

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Washington, D.C. 20531

AUG 18 2006

MEMORANDUM TO: Guy K. Zimmerman  
Assistant Inspector General for Audit

FROM: Regina B. Schofield *RBS*  
Assistant Attorney General

SUBJECT: Office of the Inspector General Draft Report on "Department of Justice Purchase Card Expenditures Related to Hurricane Recovery Efforts"

This memorandum details the Office of Justice Programs' (OJP's) response to the recommendations included in the above-referenced draft report. For ease of review, the corrective actions are restated in bold and are followed by our response.

- 1. We recommend that OJP ensure that cardholder profiles are updated and a maximum ratio of 7 cardholders to 1 AO is maintained.**

The OJP agrees with the recommendation. By September 30, 2006, the Office of Administration, Acquisition Management Division (AMD) will conduct a review of existing cardholders profiles to ensure that the profiles are updated, and will implement procedures to ensure that the profiles are periodically reviewed and updated accordingly.

The OJP agrees with the recommendation. The OJP's policy is to maintain a cardholder-to-approving official-ratio of no more than two cardholders per office per approving official, except for the Office of Administration's AMD. The Acquisition Management Division's ratio has five cardholders within the office under one approving official because they are responsible for making purchases for all of OJP.

- 2. We recommend that OJP reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation.**

The OJP agrees with the recommendation. In June 2006, OJP conducted purchase card refresher training to cardholders and approving officials, which covered various types of allowable and unallowable purchases, the requirement for maintaining records to track the availability of funds under bulk-funded requisitions, and the type of documentation that should be maintained to support purchases. By December 31, 2006, OJP will

provide another refresher training and distribute additional guidance to all cardholders and approving officials reinforcing the specific highlights of the purchase card policy.

**3. We recommend that OJP institute required purchase card refresher training.**

The OJP agrees with the recommendation. As stated in response to Recommendation 2, OJP will provide another purchase card refresher training by December 31, 2006. In the future, purchase card refresher training will be provided every two years at OJP.

Thank you for your continued cooperation. If you have any questions concerning this response, please contact LeToya A. Johnson, OJP Audit Liaison, on 202-514-0692.

cc: Beth McGarry  
Deputy Assistant Attorney General  
for Operations and Management

Phillip Merkle, Director  
Office of Administration

LeToya A. Johnson, Director  
Program Review Office

## JMD RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice  
Justice Management Division  
*Management and Planning Staff*

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Washington, D.C. 20530

July 21, 2006

Mr. Troy M. Meyer  
Regional Audit Manager  
Washington Regional Audit Office  
Office of the Inspector General  
U.S. Department of Justice  
1300 North 17<sup>th</sup> Street, Suite 3400  
Arlington, VA 22209

Re: Office of the Inspector General (OIG) audit: "Department of Justice  
Purchase Card Expenditures Related to Hurricane Recovery Efforts"

Dear Mr. Meyer:

We propose that the Department's components submit consolidated responses to the above referenced report, as we explained to you during our phone conference of this morning. A consolidated response will allow us to establish a corrective action plan that will include definitive milestones and measurable results and which, consequently, will allow us to close them in a timely manner.

We propose to take the following actions:

1. The Procurement Policy and Review Group (PPRG) will issue a Procurement Guidance Document (PGD) requiring that all bureaus have no more than 7 cardholders per Approving Official and that cardholder profiles be updated in Pathway not later than three working days after any changes occur.
2. The PPRG will work with the bureaus' Agency Program Coordinators (APCs) and develop a list of what items should not be bought with purchase cards, a "do not buy" list. Also, the PPRG will work with the bureaus and develop minimum documentation requirements for purchase card files. We, then, will issue a PGD to specify the minimum documentation to be maintained in purchase card files. The "do not buy" list will be incorporated as an attachment to the PGD and we will require that the "do not buy" list be sent to current cardholders and included in materials provided to cardholders as part of their training. The PGD will require that the "do not buy" list be redistributed whenever it is updated.

3. The OIG recommended that bureaus institute required purchase card refresher training. We propose to satisfy this recommendation in a number of ways. First, you should note that Appendix B to OMB Circular A-123 requires cardholders, approving or certifying officials, and APCs to receive initial training in the performance of their duties, and also refresher training every three years. The "Charge Card Management Plan" that the Department submitted to OMB pursuant to Appendix B, addresses training requirements and requires purchase card program participants to complete refresher training within 3 years of appointment. The PPRG will meet with the bureaus and assess how they can best meet the refresher training requirements of Appendix B and the OIG audit. The results will be shared with the OIG. Further, the PPRG will provide copies of the Department's Charge Card Management Plan (CCMP) to the bureaus as an attachment to a PGD. That CCMP will specify the minimum requirements for charge card programs within the Department.

The foregoing described work will begin immediately. The PPRG will meet with the bureaus within 10 days of this letter, or sooner if possible, to develop a "do not buy" list, to set the minimum documentation requirements for purchase card files, and to chose dates by which the bureaus should restructure their hierarchy so that no more than 7 purchase cardholders report to an approving official. Further, and at that meeting, the participants will begin to establish the process whereby refresher training for purchase card program participants can be delivered, especially for those who have not received such training within the previous 3 years.

We believe circumstances will help us fully address all the recommendations before the end of the calendar year. Most important, all DOJ purchase cards will be reissued in late October 2006. At that time, the purchase card hierarchies will be reviewed and updated. It should not be difficult to supplementing that exercise with the tasks needed to close these recommendations.

We believe it is in the best interests of the Department to proceed in this manner to implement and close the recommendations contained in the audit. However, development of a more thorough and comprehensive corrective action plan will take additional time. We respectfully request to meet with the OIG in about thirty (30) days for the purpose of agreeing to milestones and specific dates for their completion.

Sincerely,



Richard P. Theis  
DOJ Audit Liaison  
Justice Management Division

## APPENDIX IV

### OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE REPORT

The OIG provided a draft of this audit report to the Justice Management Division (JMD) and the eight components included as part of this audit. The responses are incorporated as Appendix III of this final report. The OIG analysis and summary of actions necessary to close the report is presented in three parts. The first section presents the JMD's plan for establishing standards for DOJ's charge card program, and for ensuring that a system of internal controls are in place for effective oversight and to maximize the benefits when using government charge cards. The second section discusses the OIG analysis of the FBI's disagreements with aspects of the report. The third section presents the summary of actions necessary to close the report.

#### DOJ Charge Card Management Plan

JMD, as DOJ's Agency Program Coordinator, responded to the draft report. In its response, JMD proposed to take the following actions:

- Issue a Procurement Guidance Document requiring that all DOJ components have no more than 7 cardholders per Approving Official and that cardholder profiles are updated in *Pathway Net*<sup>®</sup> no later than 3 working days after any changes occur.<sup>15</sup>
- Work with each component's program coordinator to develop a list of items that should not be bought with purchase cards, and minimum documentation requirements for purchase card files.
- Meet with the ATF, FBI, USMS, and OJP to assess how each can best meet the refresher training requirements.

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<sup>15</sup> Pathway Net<sup>®</sup> is a proprietary web-based system that provides for an automated and paperless means for maintaining, retrieving, and storing purchase card transactions. The Pathway Cardholder profile is an electronic file that is used to identify specific data relating to individual cardholders including personal data, single purchase limit, monthly cycle limit, assigned approving official, and contact information.

In addition, JMD stated in its response that all DOJ purchase cards will be reissued in late October 2006. At that time, the purchase card hierarchies will be reviewed and updated.

Subsequent to providing its response to the draft report, JMD provided the OIG with its *DOJ Charge Card Management Plan* that establishes a system of internal controls and serves as a framework for Departmental policies and procedures for the appropriate use of charge cards. The plan was developed in response to the requirements of Office of Management and Budget (OMB) Circular A-123 Appendix B, *Improving the Management of Government Charge Card Programs*. The plan establishes the minimum standards, requirements, and best practices for charge card programs within the Department.

According to the plan, cardholders are appointed based on a thorough review of the requesting organization's mission, procurement activity, and the number of cardholders available to support that activity. AOs are appointed at a sufficient level commensurate with the duties to ensure that they effectively monitor the performance of their cardholders. The plan does not specify a maximum cardholder to AO ratio but states that bureaus must consider the span of control to ensure that the number of cardholders and the charge card volume is at an appropriate level for effective review and control of cardholder performance.

Training is required for cardholders, AOs, and Agency Program Coordinators (APC) prior to appointment. Refresher training must be completed within 3 years after appointment, or date of last refresher training. All participants are required to submit copies of their training certificates to the appropriate APC. According to the plan, cardholders with delegated purchase card authority over the micro-purchase threshold receive additional training and must be warranted contracting officers.

The plan also outlines risk management procedures that can be tailored to specific component requirements for detecting possible misuse. According to the plan, as the capabilities of the Pathway Net<sup>®</sup> system are enhanced, the Department will benefit from more powerful data mining tools.

## Analysis of FBI Response

Given the emergency situation, the OIG believes that the FBI generally followed appropriate record keeping procedures for the purchase card transactions it reviewed. Our report contains the total FBI dollars we tested as well as the dollar amounts related to the exceptions that we identified. Therefore, we believe that we have reported our findings in the proper context. However, the OIG disagrees with the FBI's statement that the OIG has no evidence of any improper record keeping or internal control issues. During our audit, we identified purchases from two vendors (Baton Rouge Police Supply and Merchandise Distributor) where the FBI did not follow its own policies and procedures. In addition, certain FBI purchase card holders could not identify items that were precluded from purchase with a purchase card. These issues are discussed in more detail below.

### *Baton Rouge Police Supply*

The OIG requested that the FBI provide a listing of purchase card transactions related to hurricane recovery efforts. On the listing provided was a transaction for Baton Rouge Police Supply for \$15,700.97. The OIG requested the invoices for the transaction on April 10, 2006, and received documentation and four invoices on June 12, 2006, from the FBI totaling \$16,369.80.

<u>Invoice</u>	<u>Amount</u>	<u>Date</u>
14105	\$ 6,636.08	09-10-05
14133	\$ 5,881.12	09-16-05
14156	\$ 3,569.41	10-01-05
14322	\$ 283.19	11-17-05
	<u>\$16,369.80</u>	

The OIG auditors requested clarification on the difference between the originally stated amount of \$15,700.97 and the \$16,369.80. The OIG was told that the \$15,700.97 was an estimate. In order to determine if we received all invoices for Baton Rouge Police Supply and validate the Baton Rouge Police Supply transactions, we searched the transaction database, and found four additional charges. Two were charges for convenience check fees of \$1.50 each; one was a 10-03-05 transaction for \$1,235; and another was a 10-04-05 transaction for \$71.98.

The OIG again requested clarification given the additional charges and requested copies of the invoices. The FBI supplied the OIG with a new listing of transactions totaling \$17,678.88 as of June 22, 2006, but informed the OIG that it did not have invoices to support the \$1,235 and \$71.98 transactions.

According to the FBI's criteria, when an acquisition is made using a purchase card, a receipt document shall be retained as proof of purchase. All documents, including receipts, packing slips, purchase logs, dispute forms, and invoices, pertaining to purchase card transactions, must be retained for a period of 5 years from the cardholders statement date. The FBI's criteria also states that if for some reason a cardholder does not have a proper receipt for any transaction, a document must be prepared that contains all appropriate information normally contained on a receipt (including vendor name, date of transaction, description, and dollar amount) and an explanation as to why the original receipt is not available. When the OIG reviewed the supporting documentation provided by the FBI, we could not identify either invoice for these two transactions or a document containing all appropriate information normally contained on a receipt and a written explanation on why the invoices were not obtained.

Given the length of time the FBI took to provide the OIG with supporting invoices, the change in the number of invoices (originally told 4 then changed to 6), the total amount for Baton Rouge Police Supply (originally provided \$15,700.97, then \$16,369.80, and then \$17,678.88), the missing two invoices, and the lack of documentation explaining why an invoice was not available, we concluded that the FBI did not follow its policies and procedures governing document retention, and we considered this an internal control finding.

#### *Merchandise Distributor*

The OIG auditors were not provided an invoice for a \$3,673.30 Merchandise Distributor transaction dated September 13, 2005. The FBI instead provided a screen shot from the website used to make the purchase. The screenshot was for a Merchandise Distributor transaction dated September 4, 2005, for the amount of \$3,710.40. The OIG requested clarification of why the screenshot reflected a different date and amount. The FBI cardholder stated that she may have received a discount; however, she could not provide documentation to substantiate her claim. Therefore, we are not certain that the transaction in question is the same transaction

that we sampled. The FBI contends however that because the screenshot is for a greater amount than what the FBI was charged, there is no issue. However, the absence of an invoice or documentation explaining why an invoice was not obtained is a violation of the FBI's purchase card criteria – an internal control issue.

### *Use of Senior Contracting Officer*

The FBI took exception to the fact that our report did not include the qualifications and achievements of a particular contracting officer. However, this contracting officer was not the sole contracting officer who made FBI purchases and more importantly, the draft report did not identify any of the senior contracting officers or other personnel from any of the reviewed components. As we previously discussed with the FBI when it raised this issue on June 22, 2006, many components used experienced contracting officers to handle the bulk of major purchase card transactions and several components deployed these officers to the hurricane recovery sites. While we did not identify any of the contracting officers by name, or document personal accomplishments, we did specify the actions the components used to respond to hurricane recovery efforts in a chart on page 5 of our report.

### *Appendix II*

In its response, the FBI stated that it contacted all the cardholders the OIG interviewed and all cardholders stated they were not asked if they were precluded from purchasing any items. During our audit, each cardholder we interviewed was asked if they were precluded from purchasing anything with their cards. Three of seven cardholders responded that they were either not precluded or did not know if they were precluded from making certain purchases. Although the OIG did not identify that precluded purchases were made, the FBI told us prior to the issuance of the draft report that they considered this issue to be very disturbing. An FBI official stated that he would "pull" the purchase cards of cardholders who were not aware of precluded items.<sup>16</sup> While the FBI is within its right to cancel purchase cards, we believe that the issue could be better addressed by reinforcing policies on what items are not allowed to be purchased with purchase cards, and by instituting refresher training where applicable.

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<sup>16</sup> FBI procurement policy identifies several items that all cardholders are precluded from purchasing with their cards including hotels, food, lodging, rental of motor vehicles, telecommunications services, and rental or lease of land or buildings.

## Summary of Actions Necessary to Close the Report

Based on responses received by the audited components and JMD, the OIG considers the report resolved. The following is a summary of actions necessary by each component to close the recommendations.

### EOUSA

1. **Resolved.** This recommendation is resolved based on the EOUSA's action to assist JMD in updating cardholder profiles and their agreement to the maximum cardholder to AO ratio of 7:1. The EOUSA response states that there is an option in regard to the cardholder to AO ratio given that the current JMD guidance indicates a maximum of 15:1. However, JMD has agreed to revise its policy and require the 7:1 ratio or 300 transactions. This recommendation can be closed when we receive and review the amended EOUSA policy limiting the cardholder to AO ratio to 7:1 or 300 transactions.
2. **Closed.** This recommendation is closed based on the EOUSA updating and distributing its U.S. Attorneys' Procedures on the Government Purchase Card Program.

### DEA

1. **Resolved.** The DEA stated that its Purchase Card Handbook requires the Local Agency Program Coordinator and Purchase Card Approving Official to ensure cardholder profiles are current and the maximum rate of cardholders to AOs is observed in establishing new accounts. This recommendation can be closed when we receive copies of the DEA policy requiring cardholder profiles are updated and the requirement that the ratio of cardholders to AO does not exceed the 7:1 ratio or 300 transactions.
2. **Resolved.** The DEA stated that it established management controls and restrictions on the types of purchases that can be made under the Purchase Card Program by restricting certain Merchant Category Codes. These restrictions have been issued in a Purchase Card Flash, which is an internal DEA email on news and policy notice, and also in DEA's Purchase Card Program Handbook. Should a cardholder attempt to make a purchase from a restricted merchant, the purchase is declined by software at the point of sale, because all DEA purchase

cards are coded to reject a particular Merchant Category Code. This recommendation can be closed when we receive documentation of DEA reinforcing policies on what items are not allowed to be purchased with purchase cards and the minimum documentation to be maintained in purchase card files.

## **FBI**

1. **Resolved.** This recommendation is resolved based on the FBI's action to address the cardholder to AO ratio. This recommendation can be closed when we receive and review the documentation outlining the requirement to maintain the 7:1 cardholder to AO ratio or 300 transactions, and confirmation that the cardholder profiles have been updated.
2. **Resolved.** This recommendation is resolved based on the FBI's agreement with the recommendation. This recommendation can be closed when JMD issues revised guidance that includes a do not buy list and the minimum documentation to be maintained in purchase card files, and we receive and review any revisions to the FBI's guidance that are necessary based on JMD's revised guidance.
3. **Resolved.** This recommendation is resolved based on the FBI's planned action to require refresher training and the training schedule for cardholders and AOs through 2007. This recommendation can be closed when we receive and review the amended policy requiring refresher training and documentation of how the FBI will provide refresher training after 2007.

## **BOP**

1. **Resolved.** This recommendation is resolved based on the BOP's action to require updated cardholder profiles and the adherence to the 7:1 cardholder to AO ratio. This recommendation can be closed when we receive confirmation that the field offices have updated the cardholder profiles.
2. **Closed.** This recommendation is closed based on the BOP's memo reinforcing policies on what can be purchased, documentation on the availability of funds, and maintenance of supporting documentation.

## ATF

1. **Resolved.** The ATF stated it updates its manual listings to identify approving officials by position and clarify policies and procedures. While the OIG believe this is a good step, the recommendation was directed at updating the cardholder profiles in Pathway Net<sup>®</sup> so the approving official is easily identified and ratio of cardholder to AO is easily monitored. In order to close this recommendation, please provide documentation that ATF has updated cardholder profiles and requires a maximum cardholder to AO ratio of 7:1 or 300 transactions.
2. **Resolved.** This recommendation is resolved based on the ATF's action to reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation. This recommendation can be closed when we receive and review the specific ATF update of the Bureau order, postings to the appropriate Bureau intra-web pages and reminders issued to cardholders.
3. **Resolved.** This recommendation is resolved based on the ATF's action to require purchase card refresher training. This recommendation can be closed when we receive documentation that ATF has amended its policies to require refresher training and has implemented the refresher training.

## USMS

1. **Resolved.** This recommendation is resolved based on the USMS's action to remind all cardholders and AOs of the requirement to update profile information and the maximum cardholder to AO ratio is 7:1. This recommendation can be closed when we receive documentation that the cardholder profiles have been updated and the USMS provides documentation specifying the required 7:1 ratio or 300 transactions.
2. **Resolved.** This recommendation is resolved based on the USMS's action to reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation. This recommendation can be closed when we receive documentation of this USMS directive.

3. **Resolved.** This recommendation is resolved based on the USMS's planned action to institute refresher training. This recommendation can be closed when we receive documentation that the USMS has amended policies requiring refresher training and has implemented the refresher training.

## OJP

1. **Resolved.** This recommendation is resolved based on OJP's action to require updated cardholder profiles and the adherence to the 7:1 cardholder to AO ratio. This recommendation can be closed when we receive confirmation that the field offices have updated the cardholder profiles and documentation demonstrating the maximum cardholder to AO ratio is within the 7:1 ratio or 300 transactions.
2. **Resolved.** This recommendation is resolved based on OJP's action to reinforce policies on what items are not allowed to be purchased with purchase cards, the requirement to document the availability of funds, and the importance of retaining required supporting documentation. This recommendation can be closed when we receive documentation of the training provided and attendance at that training.
3. **Resolved.** This recommendation is resolved based on OJP's planned action to institute refresher training. This recommendation can be closed when we receive documentation that the OJP has amended policies requiring refresher training and has implemented the refresher training.

## CRS

1. **Resolved.** This recommendation is resolved based on JMD's planned efforts to issue a Procurement Guidance Document (PGD) requiring that all bureaus have no more than 7 cardholders to an AO and cardholder profiles are updated in Pathway Net<sup>®</sup> no more than 3 working days after a change occurred. This recommendation can be closed when we receive and review JMD's amended policy.

2. **Resolved.** This recommendation is resolved based on JMD's planned efforts to issue the PGD specifying minimum documentation requirements for purchase card files. Additionally JMD will meet with the bureaus and develop a "do not buy" list that will be attached to the PGD and included in training. This recommendation can be closed when we receive and review the JMD amended policy and the developed "do not buy" list.