



Office of Inspector General

MANAGEMENT ADVISORY:

GREATER COMPLIANCE WITH GOVERNMENTWIDE PURCHASE CARD PROCEDURES IS NEEDED

Report No.: 7R1-G10-052

Date: February 26, 1997

Office of Inspector General
Washington DC 20420



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

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Memorandum to:

**Director, Department of Veterans Affairs Medical Center (VAMC) Boston,
MA**

**Advisory - Greater Compliance with Governmentwide Purchase Card
Procedures is Needed, Report No. 7R1-G10-052**

1. The Office of Inspector General audited the Department of Veterans Affairs (VA) Consolidated Financial Statements for Fiscal Year (FY) 1996. As part of this audit we reviewed selected financial operations and tested internal controls at VAMC Boston, as they pertain to the Expenditure Cycle, which generally includes activities to acquire goods and services. The audit also included a review of controls over the use and administration of government purchase cards.

2. Based on substantive audit tests performed and a review of selected accounting records, we concluded that generally internal controls were adequate to ensure the reliability of obligations as shown in VAMC Boston's financial statements as of September 30, 1996. However, we identified a number of instances of non-compliance with government purchase card procedures and guidelines which warrant greater management attention.

3. This advisory report and enclosure provide details of our observations made regarding controls over the government purchase card program at VAMC Boston. Specifically, we concluded that greater compliance with the I.M.P.A.C. Purchase Card Procedures Guide is needed in the following areas:

- **Accountability of Cardholders.**
- **Maintenance of Cardholder Accounts.**
- **Certification and Documentation of Cardholder Statements.**
- **Audits of Cardholder Procurements.**
- **Use of Required Sources of Supplies and Services.**
- **Proper Use of Funds and Distribution of Costs.**

4. We previously discussed these conditions with you and your staff and your agreed to take corrective action. As a result, we are not making formal recommendations. However, we will follow-up on the implementation of planned actions during future financial statement audits.

5. We appreciate the assistance of your staff. If you have any questions regarding the advisory report, please call me at 617-687-3120.

(Original signed by:)

THOMAS L. CARGILL, JR.

Director, Bedford Audit Operations Division

Enclosure

cc: VISN1-Director, Boston, MA.
VHA Chief Financial Officer (17)
Assistant Secretary for Management (004)

MANAGEMENT ADVISORY ISSUES

During the audit we found that controls governing the use and administration of the government purchase card program had not been effectively implemented. Specific areas needing improvement include the following:

- **Accountability of Cardholders.**
- **Purchase Card Certification Forms.**
- **Signature Samples of Cardholder Participants.**
- **I.M.P.A.C. Cardholder Account Set-Up Forms.**
- **Supporting Documentation Attached to Cardholder Statements.**
- **Certifying Official Signatures on Cardholder Statements.**
- **Audits of Cardholder Procurements.**
- **Required Sources of Supplies and Services.**
- **Proper Distribution of Procurements as of September 30, 1996.**
- **Use of Medical Care Funds for Research and General Post Fund Purposes.**

Accountability of Cardholders

The I.M.P.A.C. Purchase Card Procedures Guide identifies the program coordinator at the facility level as the individual responsible for the control, issuance and cancellation of purchase cards.

We requested from the program coordinator a listing of cardholders by respective service and approved purchase/spending limits. We found that the facility did not maintain a listing of cardholders and that the coordinator had to request the listing from the purchase card company Rocky Mountain Bank. The facility should not need to rely on the purchase card company to inform the facility who is in possession of a purchase card.

Further, during our review, the facility attempted to identify potential problem areas with the purchase card program by undertaking an entire review of the program which was approved by the Associate Medical Center Director. All purchase cards were to be turned in to the Chief of Acquisitions & Material Management Service (A&MMS) by November 22, 1996. Purchase cards were to be returned to cardholders with appropriate approval documentation. Additional purchase card training was to be scheduled with each service within 2 weeks of being returned.

We requested from the program coordinator a list of the cards that were surrendered by November 22, 1996. The coordinator was unaware of either the names of the cardholder or number of cards that were surrendered. Further, the coordinator was unaware of the names of cardholders that had been reissued a purchase card.

Controls over cardholder accountability are essential in ensuring that the purchase card is used by authorized and approved individuals since cardholders are making procurements on behalf of the government.

Purchase Card Certification Forms

The I.M.P.A.C. Purchase Card Procedures Guide requires, prior to the issuance of a Government Purchase Card, that a Governmentwide Purchase Card Certification Form be completed by cardholders, approving officials and the Head of the Contracting Activity (HCA). Upon completion of the form, cardholders become contracting officials.

We found that the Purchase Card Certification Form was not completed for any of the 215 purchase cardholders or approving officials. We were not provided with an explanation as to why forms were not prepared for all responsible cardholders.

Signature Samples of Cardholder Participants

The I.M.P.A.C. Purchase Card Procedures Guide requires that the Billing Office be provided signature samples from each program participant. The Billing Office must maintain these files and have them available for internal review, audit, or investigation purposes.

We requested signature samples from the Fiscal Service for each program participant. The Chief of Fiscal stated that signature samples were not provided to the Fiscal Service for all program participants.

I.M.P.A.C. Cardholder Account Set-Up Forms

The I.M.P.A.C. Purchase Card Procedures Guide requires that program cardholder account applications be prepared for all purchase cardholders. The set-up forms identify the cardholder, approving official, and spending limits of the cardholder.

We randomly selected 8 purchase cardholders to determine that account set-up forms were properly prepared for cardholders. We found that the program coordinator was unable to locate forms for 3 cardholders.

Supporting Documentation Attached to Cardholder Statements

The I.M.P.A.C. Purchase Card Procedures Guide requires individual cardholders to attach supporting documentation (invoice, sales slip) to the original statement of account. The cardholder must check each procurement on the statement to verify its accuracy. If for any reason the cardholder does not have a customer copy of the sales slip to attach to the statement, the "Date of Purchase" column should be annotated with the word "lost" and attach a written explanation.

We reviewed 129 cardholder statements for the months of January 1996 through October 1996. These statements represented \$130,340 in purchases utilizing the purchase card. We reviewed 10 cardholder statements from both purchasing agents and cardholders in the various services. Our review of these purchases disclosed the following:

- No supporting documentation (sales slips or invoices) was attached to 7 cardholder statements for purchases totaling \$3,586. Further, there was no written explanation for the lack of documentation.

Certifying Official Signatures on Cardholder Statements

The I.M.P.A.C. Purchase Card Procedures Guide requires the signatures of the respective cardholder and approving official on the back of each purchase card account statement. The cardholder's signature is evidence that the cardholder has checked each procurement and verified its accuracy. The approving official's signature is evidence of verification that each item appearing on the statement has been received, is necessary and appropriate.

Our review of 129 cardholder statements disclosed the following exceptions related to certifying official signatures:

- **3** cardholder statements had no cardholder signatures certifying purchases and were still processed by Fiscal Service.
- **5** cardholder statements had no approving official signature but the statements were still processed by Fiscal Service.

- **31** cardholder statements had an unauthorized individual signing as the approving official and the statements were still processed by Fiscal Service.

Audits of Cardholder Procurements

The I.M.P.A.C. Purchase Card Procedures Guide requires the Billing Office to conduct an audit after the "Statements of Account" are approved. This review requires the Billing Office staff to look at individual cardholder procurements, the activity code and dollar limitations.

The Chief of Fiscal Service informed us that audits of cardholder account statements were not conducted in FY 1996.

Required Sources of Supplies and Services

The Office of Acquisition and Materiel Management Information Letter No. 90-96-1 provides that every purchase card holder is responsible for ensuring that certain supplies and services are procured from sources that are established by law. Federal Acquisition Regulation (FAR) 13.602 requires that individuals who make micro-purchases (purchases not exceeding \$2,500) comply with FAR Part 8, Required Sources of Supplies and Services.

We randomly selected 8 purchase card statements with total purchases of \$8,207 for compliance with FAR Part 8. We found that one cardholder statement with total charges of \$2,395 or 29% of the purchases reviewed were not procured from the required GSA source. We discussed these purchases with the Chief of A&MMS, the Assistant Chief of Purchasing and Contracts, and the Chief of Materiel Management who concurred with our results.

Further, the Chief of A&MMS provided us with additional examples of cardholder purchases totaling \$2,607 that were not made from required sources in accordance with FAR, Part 8, Required Sources of Supplies and Services.

We determined that cardholders purchased goods totaling \$5,002 that were not made from required sources in accordance with FAR Part 8.

Proper Distribution of Procurements as of September 30, 1996

We reviewed the Financial Management System (FMS) Status of Allowance Report as of September 30, 1996 and found that procurements made with unspecified accounting classification code (ACC) purchase cards totaling \$273,222 were not properly distributed to respective fund control points.

From the inception of the purchase card program at VAMC Boston, Purchasing Agents in A&MMS were using unspecified as well as specified ACC purchase cards when purchasing goods and services for various services. Purchase card procurements made with specified ACC cards would be costed and reflected in the proper fund control points of the various services.

However, use of the unspecified ACC cards by Purchasing Agents resulted in the accumulation of procurements in an FMS default control point during FY 1996 totaling \$1,069,407 or (60%) of the total purchase card procurements in FY 1996 valued at \$1,766,410. The Fiscal Service initiated expenditure transfer transactions in July and September totaling \$796,184 leaving a balance of \$273,222 in purchase card procurements not distributed to fund control points as of September 30, 1996.

At the conclusion of our review Fiscal Service personnel analyzed the September 30, 1996 balance and identified purchases totaling \$101,273 that could be distributed to proper fund control points. We were informed that expenditure transfers would be processed for these purchases. Fiscal personnel need to properly identify and distribute the remaining balance of procurements totaling \$171,949 to the respective fund control points.

Use of Medical Care Funds for Research and General Post Fund Purposes

We reviewed FY 1996 expenditure transfer transactions associated with the Purchase Card Program and found that medical care funds totaling \$88,041 were temporarily used for the purchase of research and general post fund supplies and services. This occurred because Purchasing Agents in A&MMS used unspecified rather than specified purchase cards for research and general post fund needs and subsequent expenditure transfers were not timely processed.

We determined that medical care funds totaling \$88,041 (or 11%) of the Fiscal Year 1996 expenditure transfers totaling \$796,184.87 were used to make purchases for research and general post fund needs. Unspecified purchase cards were used

by Purchasing Agents for the purchase of research supplies and services which were charged to a default control point in Medical Care Appropriation 96/0160. However, the transfer of these purchase card expenditures were not accomplished in a timely manner. An expenditure transfer was processed on July 1, 1996 for purchase card purchases made in April, May, and June. Further, expenditure transfers were processed on September 6, and 9, 1996 for purchases made in July and August. The purchasing practice of using unspecified purchase cards combined with the delayed transfer of purchase card expenditures to research and general post fund control points resulted in the temporary use of medical care funds for research and general post fund needs during Fiscal Year 1996.