



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

APR 3 2014

OFFICE OF  
ADMINISTRATION  
AND RESOURCES  
MANAGEMENT

**MEMORANDUM**

**SUBJECT:** Office of Acquisition Management Corrective Actions in Response to Audit Report No. 14-P-0128

**FROM:** Craig E. Hooks  
Assistant Administrator

A handwritten signature in black ink, appearing to read "Craig E. Hooks".

**TO:** Arthur A. Elkins, Inspector General  
Office of the Inspector General

The Office of Acquisition Management responded to OIG Audit Report No. 14-P-0128 findings on January 24, 2014. As a follow-up to our response I would like to provide you with additional information on corrective actions we are taking to strengthen management controls within the EPA National Purchase Card Program. Accordingly, OAM implemented, or plans to implement, the following corrective actions:

- We implemented a block of over 130 merchant codes to prevent transactions considered high risk. These include codes considered non-applicable for routine agency transactions. Cardholders must submit supporting documentation to the program for review and override, if appropriate. The program has seen an immediate impact on oversight which has improved management controls.
- Starting in the 3<sup>rd</sup> quarter of FY14, we will begin a baseline review of all EPA Headquarters', and regional, program offices that utilize the purchase card in order to ensure that purchase card transactions are conducted within the Federal and EPA acquisition rules and regulations.
- We will deploy an automated system including an electronic purchase card log with a requirement to document ALL purchase card transactions agency-wide no later than September 30, 2014. The system will ensure documented evidence of electronic approvals; provide a record of all purchases made with purchase cards and/or convenience checks; allow virtual audits of all purchase card transactions and provide the ability to conduct spend analysis on all purchase card transactions. The automation pilot will be implemented with several agency cardholders by March 31, 2014.

- Effective March 18, 2014, we have placed a moratorium on the issuance of new purchase card and convenience check accounts while we continue to improve management oversight and internal controls.
- Biennial reviews will be reformed and integrated into the Performance Measurement and Management Program. These reviews will be part of organizational self-assessments and peer reviews under the Contract Management Assessment Program to facilitate more robust and independent oversight of the program. The first peer review that will include the review of purchase card transactions will take place in Region 9 during the second week in April 2014. In FY 2013, OAM received 100% of its biennial reviews.
- We are drafting improvements to agencywide standard operating procedures, and minimum documentation required, for each purchase card transaction. These draft improvements will be completed by March 31, 2014 and will be sent out for agency review and comment.
- We are developing training sessions on purchase card policy and procedures for purchase cardholders and approving officials to address the non-compliance issues identified in the report. OAM has also changed purchase card refresher training requirements from every three years to every two years.
- We are reviewing the subject audit findings to ascertain the specific areas of non-compliance that need to be addressed with cardholders and approving officials. We will institute follow-up actions as appropriate to hold individuals accountable and recover funds used for prohibited, improper or erroneous purchases identified in this audit. Depending on the severity of the violation, cardholder(s) and approving official(s) in violation of agency policy and/or procedures may have their authority revoked, or suspended pending the completion of this review.

If you require additional information regarding this memorandum or have any further issues concerning the purchase card program, you may contact me at (202) 564-4600 or John R. Bashista, Director, Office of Acquisition Management at (202) 564-4310.

## Kasper, Janet

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**From:** Hooks, Craig  
**Sent:** Friday, May 02, 2014 2:04 PM  
**To:** Elkins, Arthur  
**Cc:** Eyermann, Richard; Kasper, Janet; Showman, John; Blankenship, Steven; Bashista, John; Dussault, Thomas; Kantrowitz, Susan; Freeman, Angela; McDowell, Brandon; Maass, Lisa; Carter, Yvette; Taylor, John  
**Subject:** Response to Final Audit Report 14-P-0128 "Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA"  
**Attachments:** OAM Corrective Actions in Response to Audit Report No. 14-P-0128.pdf

Arthur,

Please find OARM's comprehensive response to final audit report 14-P-0128 "Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA". Attached is the supplementary information on corrective actions OARM is taking to strengthen management controls within the EPA National Purchase Card Program which we provided in our April 4, 2014 submission. In addition below, OARM is providing a corrective action and estimated completion date for our lone outstanding recommendation.

### **OIG's Recommendation:**

4 a): Determine whether the purchase of gift cards as awards is an appropriate use of government funds and make the necessary revisions to EPA policies to establish appropriate internal controls.

### **OARM's Corrective Action:**

The EPA Awards Policy will be changed to eliminate the use of Gift Cards and Gift Certificates within the agency. OARM's Assistant Administrator will sign the Awards Policy and notify the agency of this change by May 30, 2014

If you require additional information regarding this response or have any further issues concerning the purchase card program, you may contact me at (202) 564-4600.

Craig E. Hooks  
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