

EPA's Use of The Government Purchase Card

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CHAPTER 1 **INTRODUCTION**

PURPOSE

The Office of Inspector General (OIG) has completed an audit of the Agency's small purchase credit card program. The small purchases credit card program can help in improving the efficiency of the purchasing and payment processes. We undertook this review in November 1994 to examine the Agency's small purchases credit card program, also known as the bankcard program.

Our objectives were to determine whether: the EPA bankcard system was efficient, effective and being used by the Agency's program offices when appropriate (rather than purchase orders or imprest fund methods) in order to reduce processing time and costs; the Agency has adequate internal controls in place; and bankcard purchases comply with the Federal Acquisition Regulation (FAR) and EPA regulations.

BACKGROUND

The Federal Government has used various methods to accomplish the purchase of goods and services. These methods, such as the SF-44, have proven to be costly, and occasionally they have not been accepted by

merchants. To promote vendor acceptance and operational efficiency, the Department of Commerce along with the EPA initiated a pilot credit card project under authority from the Office of Federal Procurement Policy, Office of Management and Budget (OFPP/OMB). The current program, established in 1989, was developed by the General Services Administration (GSA) for the purpose of extending credit card services to all government agencies.

A number of specific controls have been developed for the program that do not exist in a traditional credit card environment. These controls ensure that the card can be used only for specific purchases and within specific dollar limits. In addition, certification of all purchases is required by each cardholder, with verification performed by the approving official before payment is made to the contractor (Rocky Mountain Bank System).

The GSA sponsored program encourages the use of a commercial credit card to make small purchases of specified supplies and services for the Federal Government. The government does not pay vendors directly for purchases made with the credit card. Instead, the vendors get a credit by their bank which is then reimbursed by the credit card company. The credit card transactions use forms and payment systems familiar to, and readily accepted by, most merchants. It provides reduced costs to merchants and to the Government, as well as more sources of supply, compared to the purchase order method.

Prior to receiving a card, each cardholder is issued a Delegation of Authority from the bankcard program team which indicates the maximum dollar amount allowable for each single purchase made and a dollar limit for total purchases made with the credit card in a given month. Emergency purchases over the monthly limit can be made when certain procedures are followed. Each cardholder also receives the "Cardholder Instructions for the Use of the U.S. Government Credit Card," issued by the current contractor under the GSA-approved program, which contains procedures for use of the credit card and for the billing of credit card purchases. The "Cardholder Instructions" and the instructions in the "EPA Bankcard Training and Call Ordering Officer Course Manual" require cardholders to follow their agencies' administrative-control-of-funds procedures and to comply with all Federal and EPA acquisition regulations, policies, and procedures.

According to the "Cardholder Instructions," each cardholder is required to review a monthly "Statement of Account" for accuracy. Additionally, prior to submittal of the statement to the approving official, the cardholder is required to complete a description for each item purchased, ensuring that the proper appropriation code is provided for each transaction, provide a copy of each sales receipt, and sign the statement. The approving official is required to review each cardholder's purchases, and determine if these items were for official use and if they were items allowed to be purchased in accordance with EPA regulations.

The EPA issued its 1993 "EPA Bankcard Training and Call Ordering Officer Course Manual" which describes the Agency's bankcard policies and procedures, and includes instructions for the completion of the bankcard holder's bankcard log. The bankcard log is used to record the date and description of each purchase made during the billing cycle. In addition, the log identifies the object class code and accounting information.

The Agency's use of the credit card has increased annually from 654 purchases in fiscal 1988 to 26,156 in fiscal 1994 as the number of cardholders at fiscal years' end increased from 153 in fiscal 1988 to 785 in fiscal 1994. Figure 3 illustrates that the purchase amounts have also increased from \$180,037 in fiscal 1988 to approximately \$8.77 million (an average of \$730,618 per month or \$335 per purchase) in fiscal 1994.

The flow chart on the following page highlights the three stages of the bankcard's process.

SCOPE AND METHODOLOGY

The overall objective of the audit was to determine if the bankcard program was effective, efficient, and being used when appropriate. We also assessed the Agency's management of the program. The audit field work was performed from November 1994 through May 1995 and included on-site work in Regions IV, VII, VIII,

Research Triangle Park (RTP), Cincinnati Financial Management Center (CFMC), and various program offices in Headquarters.

We interviewed selected bankcard holders at Headquarters and selected regions, their approving officials, individuals at the CFMC, and the bankcard program team Members in the Purchasing and Contracts Management Branch/Headquarters Procurement Operations Division/Office of Acquisition Management (PCMB/HPOD/OAM). We interviewed individuals at General Services Administration (GSA), the Department of Commerce, the Department of Defense, and Rocky Mountain Bank Systems.

We judgmentally selected 35 bankcard holders and performed reviews of their bankcard files for fiscal 1994. The review was conducted of their original documentation maintained at the CFMC and also of copies maintained by the cardholders.

The data used in this report to identify the universe of purchase orders issued was extracted from an EPA database of issued purchase orders. No audit tests were performed to evaluate the adequacy of manual or automated controls for the database system or the validity of the data maintained by this system.

We randomly selected and performed a review of 620 purchase orders issued during fiscal 1994 from three judgmentally selected regions who had high levels of small purchase activity. We reviewed these purchase orders to determine the number which could have been done using a bankcard. We further reviewed imprest fund transactions in the three judgmentally selected locations for fiscal 1994 to determine the number of transactions which could have been done using a bankcard. The following chart summarizes audit samples and the universe of purchase orders and imprest fund transactions conducted during fiscal 1994.

Purchase Orders Reviewed, Fiscal 1994		
Location	Sample Size	Universe
Headquarters	200	1,351
Region IV	200	1,478
Region VII	220	1,241
Imprest Fund Transactions Reviewed, FISCAL 1994		
Location	Sample Size	Universe
Region IV	814	814
Region VII	1,126	1,126
RTP	554	554

The audit was performed in accordance with the Governmental Auditing Standards issued by the Comptroller General of the United States (1994 revision). The audit included tests of management and related Federal Manager's Financial Integrity Act (FMFIA) controls, policies, and procedures specifically related to the audit objectives. The findings in the report describe weaknesses identified during the audit and our recommendations to correct these weaknesses. We identified weaknesses in the implementation of the program's internal controls, and are proposing that EPA consider these bankcard program weaknesses as an Agency-level weakness.

No previous reports have been issued on the Agency's bankcard program; and therefore, no follow-up audit work was necessary. Also, no other issues came to our attention which we believed were significant enough to warrant expanding the scope of this audit.

CHAPTER 2

THE AGENCY COULD REDUCE SMALL PURCHASE ADMINISTRATIVE COSTS BY INCREASING THE BANKCARD'S USE

The bankcard program was intended to streamline and to reduce or eliminate the use of other less efficient and more costly small purchase methods. Cost savings and other benefits expected from the bankcard have not been fully realized because the Agency did not implement a small purchase mandate directing all procurement officials to make maximum use of the bankcard. While the bankcard has substantially reduced the number of small purchases made through other less efficient methods of procurement, significant additional savings are possible.

During fiscal year 1994, EPA issued 26,042 purchase orders under \$2,500. Our review indicated that between 33-50 percent of small purchase transactions, depending on the office/region reviewed, made through the standard purchase order method could have been processed using the bankcard. If the results of our review are consistent within the entire Agency, EPA could have saved as much as \$700,000 in administrative costs during fiscal year 1994. Agency officials stated that our savings projections are probably conservative. The savings would have resulted because a bankcard transaction is the least expensive small purchase method, providing the Agency administrative cost savings as compared to the purchase order method. Additional efficiencies could also have resulted had the bankcard been used as intended rather than the imprest fund method.

Increased Bankcard Use Will Reduce Agency's Small Purchase Administrative Costs

Compared to the purchase order method, the bankcard method is a more cost efficient method of procurement. The Government Council sponsored a group of governmental agencies in 1994 to perform a cost-benefit analysis, comparing the cost of processing a small purchase transaction using the purchase order method and using the government bankcard. The Government Purchase Card, Reinventing the Federal Government, Purchase Card Council, dated September 1994. The government Purchase Card Council, sponsored by the Office of Management and Budget, Office of Federal Procurement Policy (OMB/OFPP), was charged with promoting the NPR's streamlining initiatives by encouraging governmental agencies to use the bankcard. This report details the results of their review and provides recommendations to agencies to expand the card's use. The study estimated the time required for all the various steps necessary for each process to acquire supplies and factored in applicable salary rates. This governmentwide study determined a cost savings of \$53.77 per transaction when the bankcard is used rather than the purchase order method.

The bankcard training instructor stated that an EPA-specific study had also been performed during the mid-1980's which indicated that the cost of processing a standard purchase order was \$250 compared to a \$15 cost to complete a bankcard transaction, a difference in cost of \$235. However, we were unable to obtain evidence from data provided to specifically substantiate these figures. At the time of our review, EPA had never performed its own cost-benefit study; however, procurement officials at EPA and at other agencies estimate that the average cost now to process a purchase order may be as high as \$300.

Rather than investing substantial time to develop more precise numbers to estimate savings than these available, we concluded that under any method, estimated savings would be very substantial. We then chose to use the most conservative estimates of savings possible to show that the possible efficiencies are very substantial under any estimating method used.

The following are results of the Purchase Card Council's study:

Cost comparison:

Cost of purchase order \$ 94.20

Cost of bankcard \$ 40.43

Potential Savings \$ 53.77

We reviewed a random sample of purchases orders under \$2,500 for fiscal year 1994 in Headquarters and two regions, Region IV and Region VII, to determine whether these small purchases could have been made using a bankcard. We found that between 33-50 percent of the purchases, depending on the office/region reviewed, could have been made by the program offices using a bankcard. Purchases which could have been bought using a bankcard included items such as a \$12 book, a \$21 magazine subscription, \$11 of computer accessories, \$11 of office supplies, and \$36 for boxes. The following table shows the projected procurement administrative cost savings the Agency would have realized during fiscal 1994 had the bankcard been used whenever possible, using the potential savings figures from the more conservative Purchase Card Council's study.

33%
50%
43%

Projected Procurement Administrative Cost Savings at Three EPA Locations by Maximizing Bankcard Use Fiscal 1994			
EPA Region	Total number of purchase orders in FY '94	Number bankcard eligible/Number reviewed	Potential savings (\$53.77 per transaction)
Headquarters	1,351	65 / 200	\$23,972.28
Region VII	1,241	111 / 220	\$33,364.29
Region IV	1,478	85 / 200	\$34,172.99
Total			\$91,509.56

As the table indicates, Headquarters and the two regional offices could have saved approximately \$91,510 in procurement administrative costs during fiscal 1994 using the bankcard. Most of the savings would have resulted from reductions in labor costs required to process purchase order transactions. If these percentages (between 33 and 50 percent) of bankcard eligible transactions are consistent throughout the entire Agency, EPA could have saved between approximately \$462,091 and \$700,139 in administrative and processing costs during fiscal 1994, according to the following chart. Had we been able to verify the \$235 administrative cost savings cited by the bankcard official, using their estimates would have demonstrated potential cost savings to the Agency of as much as \$3 million dollars.

Projected Procurement Administrative Cost Savings by Maximizing Bankcard Use Fiscal 1994		
Total number of purchase orders processed at EPA during FY '94	Range in percentage of purchase orders bankcard eligible	Potential savings (\$53.77 per transaction)
26,042	33%	\$462,091
	50%	\$700,139

Not only does the use of the bankcard save the government in administrative costs, the bankcard is a more efficient procurement tool than the purchase order method. Our review indicated that in the regions reviewed, the average processing time from the date of request to the date the ordered item arrived ranged between 57 and 70 days. However, an item can be purchased by a cardholder in as little as an hour using the bankcard.

Another method of making small purchases is through the imprest fund. To review for instances where the bankcard could have been used, we evaluated imprest fund transactions for fiscal 1994 in three regional offices (RTP, Region IV, and Region VII). Our analysis showed that 190 transactions (7.6 percent) out of a total of 2,494 totaling \$20,063.55 were bankcard eligible and that the fund cash levels could have been reduced if the purchases had been made with the bankcard.

EPA Lacks Mandatory Policy on Bankcard's Use

EPA does not have a policy requiring the use of the bankcard whenever it is allowable. During our review, we found that EPA's bankcard use varied among regional offices. For example, we found that one region had established a proactive policy mandating the use of the bankcard whenever allowable, while another region had not implemented the bankcard program at all. We found one other region and one program office that do not require the bankcard's use but had tried to encourage the card's use by returning purchase orders to program offices when the card could have been used. However, these regional officials stated that their efforts met with complaints from program offices so they began processing the purchase orders again.

Region IV officials issued a policy memo in September 1994 requiring program offices to use the bankcard whenever allowable, and stated that purchasing agents would return all purchase orders to the originating office if the use of a bankcard was allowable. Regional purchasing agents stated that they had not begun to strictly enforce the policy in order to give cardholders ample warning and sufficient opportunity to attend the bankcard training course, but were planning to begin strongly enforcing the policy after our visit. They stated that although they had not strictly enforced the policy at that time, the number of purchase orders processed by Region IV's Small Purchase Unit (SPU) that were allowable bankcard purchases had decreased by approximately 50%.

Our review also indicated that after the policy was announced, the purchasing agents' average time spent processing purchase orders had decreased by almost one-third. Therefore, administrative time spent by purchasing agents was more effectively spent ordering higher valued items than items that could have been ordered through the bankcard by cardholders. As the following chart states, as the percentage of purchase orders which were allowable bankcard purchases decreased, the SPU's average processing time decreased.

Decrease in SPU's Purchase Order Processing Time as Mandatory Bankcard Policy Memo is Issued			
	Pre-policy	After Policy	Decrease
Percent of purchase orders=potential bankcard purchases	43%	21%	51%
Average time to process purchase orders in SPU	67 days	45 days	33%

Small Purchase Officials in Headquarters, and RTP, stated that they had tried returning purchase orders to program offices in instances where the bankcard could have been used, but were often met with complaints from program office officials. An official in the Headquarters Small Purchase Unit stated that they began sending purchase orders back to program offices during fiscal 1993 and 1994, requesting that they use the bankcard. Because many program office officials complained about the inconvenience, the purchasing agents were told by senior level management to process the purchase orders in the name of "customer service."

According to the Chief of the SPU, if program offices were required to use the bankcard for at least magazine and book subscription purchases, it would probably release about one-third of the purchasing agents' time. He explained that this would far outweigh the extra resources that may be necessary to compensate for additional oversight of bankcard transactions.

Although some regions have mandated or at least recommended the bankcard's use, we found that Region VII was not participating in the bankcard program. We met with the regional Small Purchase Unit officials. The officials said that they had not used the card in the past because program office officials were apprehensive about using the card and did not believe that the bankcard's use was advantageous because the region did not have a large budget allowance for small purchases. Officials in the SPU stated that they had recently decided to become involved in the bankcard program due to the encouragement of the Director, Office of Acquisitions (OAM). They stated that they were planning to participate in the program once they were assured that the proper controls were in place in the region and individuals had attended the bankcard program training. At the time of our visit, bankcard training applications for five or six Region VII officials had recently been sent to the bankcard program team at Headquarters.

We contacted officials from the Headquarters' bankcard program team and in CFMC to determine the additional staffing that would be required if a mandatory policy was instituted Agency-wide and the amount of bankcard transactions doubled. Members of the bankcard program team stated that they believed that they were already understaffed and that in order to handle the additional bankcard transactions, they would need at least one additional procurement agent and additional clerical assistance. An official in CFMC stated they would need only limited additional resources to assist in processing payment information. We believe that the increase of personnel needed to manage the bankcard program at Headquarters and CFMC would be justified due to the administrative cost savings of as much as \$700,000. Also, as the purchase order workload decreases due to the increase in bankcard use, a purchase agent could be relocated or detailed during peak periods from the Small Purchase Unit to the bankcard program team section in PCMB.

Conclusion

The bankcard program was intended to reduce or eliminate the use of other less efficient and more costly small purchase methods. Cost savings and other benefits expected from the bankcard have not been fully realized because the Agency has not implemented a small purchase mandate directing all procurement officials to maximize bankcard use. Our review of fiscal 1994 small purchase transactions indicated that reducing the number of purchases made through other methods of procurement could result in administrative cost savings to the Agency of as much as \$700,000. Although additional staffing would be necessary to implement a mandatory policy of bankcard use, we believe that the costs for additional employees would be justified considering the administrative costs savings.

Recommendation

In order to reduce small purchases administrative costs by increasing the bankcard's use, we recommend that the Acting Assistant Administrator for Administration and Resources Management:

Establish an Agency-wide policy requiring the use of the bankcard whenever allowable.

AGENCY RESPONSE

The Agency agreed with our recommendation to establish an Agency-wide policy requiring the use of the bankcard whenever allowable. The Agency anticipates issuance of this policy for comment in draft form by October 1, 1995, and the final policy memorandum by November 1995.

CHAPTER 3

EPA'S RESTRICTIONS IMPEDE THE BANKCARD PROGRAM'S GROWTH

The bankcard was not always used when allowable. This cost the Agency inefficiencies and additional administrative expenses. The use of the bankcard is encouraged in order to streamline government activities. We found that EPA's additional restrictions hindered implementing the bankcard to its fullest potential in EPA.

EPA's Restrictions Impede Bankcard's Use

The bankcard Program was implemented governmentwide to reduce or eliminate the use of other less efficient and more costly small purchase methods. The National Performance Review (NPR) recommended that managers be provided with the ability to authorize employees who have a bona fide need to purchase small dollar items directly using a bankcard. The government Purchase Card Council, sponsored by the Office of Management and Budget, Office of Federal Procurement Policy (OMB/OFPP), was charged with promoting the NPR's streamlining initiatives by encouraging governmental agencies to use the bankcard.

The Purchase Card Council, consisting of thirteen governmental agencies, met last year to discuss impediments to the government's bankcard program. The council's report, issued September 1994, stated each Agency's procedures needed to be simple, direct, and unencumbered by unnecessary regulations and paperwork in order to expand the use of the bankcard. A council participant stated that she found restrictions vary greatly from agency to agency, and she recommended that agencies review their procedures and remove unnecessary limitations. She said that there should be a balance between the safeguards providing control and hindering the potential full use of the card.

In an effort to make the U.S. government bankcard program as nonrestrictive as possible, GSA prohibited only three types of transactions in its contract with Rocky Mountain Bank: (1) rental or lease of land or buildings; (2) purchase of telephone services, and; (3) cash advances. In addition to these exclusions, all purchases must also be made in accordance with FAR requirements. Each Agency is permitted to further restrict types of purchases authorized. EPA issued several additional restrictions. These restrictions include items which are generally those where the government American Express Card would be used or those considered as personal use items. EPA also restricts items that are provided through mandatory sources of supply, or items or services that require special procedures or conditions. Additionally, EPA restricts purchase of laboratory equipment and scientific supplies whose price exceeds \$300. (See Appendix II for a complete listing of EPA's purchase restrictions.)

A member of the bankcard program team said that EPA had more restrictions than other agencies. She said that many of the items are restricted for purchase by EPA bankcard holders other than purchasing agents because the items are provided through mandatory sources of supply. PCMB officials made the decision to include additional restrictions on "more complicated" purchases available through mandatory supply schedules due to the limited training provided to bankcard users.

We interviewed several cardholders and approving officials to determine their overall satisfaction with the bankcard program. Several stated that they were very pleased with the program and found it to be helpful and convenient overall. However, many also stated that in order to fully benefit from its use, they would like to see the program expanded and the number of restrictions reduced. They wanted to be allowed to purchase many of the items now restricted, such as laboratory equipment over the current \$300 threshold, small dollar office equipment, and award plaques; however, PCMB made the decision to restrict the purchase of these items due to their availability from mandatory sources. Many cardholders stated that in view of EPA's mission, they do not understand why a restriction was placed on such a widely-used item as laboratory equipment (over \$300), considering one of the purposes of the bankcard is to empower employees.

We also spoke to a number of bankcard holders who said that they found EPA's listing of restricted items to be very confusing and that the bankcard restrictions were too numerous and complicated. We were told that several

cardholders in one regional office had destroyed their bankcards upon receipt after attending the bankcard training course. They were concerned that they might accidentally purchase an item on EPA's prohibited listing and be prosecuted. We believe these excessive restrictions are hindering the growth of bankcard use, which in turn causes inefficiencies and additional administrative costs to the Agency.

EPA's Guidance Includes Items No Longer Restricted

We found that although several items are no longer restricted for purchase by GSA, EPA's guidance has not been updated to address these changes. EPA's bankcard guidance stated that procurement policy requires that certain items available from mandatory sources of supply may not be purchased by bankcard holders other than purchasing agents. Therefore, these items were placed on EPA's restricted listing and excluded from purchase by bankcard holders using outside sources. However, several supply schedules expired; and therefore, items available from these schedules were no longer restricted for purchase, but EPA's restrictions listing has not been updated.

Last year, GSA officials made the decision to cancel many of the mandatory supply schedules and renew them as optional schedules in support of the Federal Acquisitions Streamlining Act. Most GSA schedules are due to expire at various times during the next three to four years and will also be converted to optional use schedules. As schedules expire, the items available on those schedules will no longer be restricted for purchase by bankcard holders from the open market. For example, the following schedules have expired dealing with: laboratory instruments and equipment, telecommunications equipment, miscellaneous furniture, office supplies, and active clothing and footwear.

In addition to the GSA schedules that have expired, many mandatory supply sources now accept the bankcard as a method of payment, including Federal Prison Industries (FPI or UNICOR), National Institute for the Blind/National Institute for the Severally Handicapped (NIB/NISH), and also GSA. However, many of the items available for purchase through these sources are still listed as restricted by EPA. For example, furniture which was originally placed on the restricted items listing because it was provided on UNICOR's mandatory supply source is still listed as a restricted item although UNICOR now accepts the bankcard as a method of payment.

Although we found during our review that several mandatory supply schedules had expired and that some mandatory sources now accepted the bankcard as a method of payment, EPA's bankcard guidance had not been updated to address all of these changes. The bankcard program team told us that they have very little time for their Bankcard duties because of the press of their other responsibilities and there are "paperless office" restrictions on dissemination of bankcard data. We found they have not disseminated updated guidance materials and bankcard information to all cardholders. An official in the Procurement and Policy Branch (PPB) stated that the schedules are expiring at different times; and therefore, it has been difficult to track which items are still available on a mandatory schedule. For example, there are about fifteen schedules for just laboratory equipment and they are all expiring at staggered increments. To further complicate the issue, some laboratory equipment items are overlapping in more than one schedule; and while some schedules have expired, others have not. The official in PPB stated that as these schedules are expiring, they plan to reassess their restrictions. In the meantime, EPA cardholders are restricted from purchasing all laboratory equipment over the \$300 threshold, although many items are no longer restricted.

Other Agencies Have Streamlined Their Restriction Policies

GSA's Contracting Officer for the governmentwide bankcard program said she believes that many agencies have more restrictions than are necessary. She said that a number of federal agencies have already eliminated many of the prohibited items currently on EPA's restrictions listing in support of government streamlining. We also spoke to several officials from other agencies to determine what criteria they had used for determining their listing of purchase restrictions. Most stated that they were surprised at the number of restrictions imposed by

EPA in addition to GSA restrictions, and believed that EPA was not expanding its bankcard program as much as it could.

An official in the Department of Defense said she believes that EPA is "micro-managing" its program by implementing such extensive controls. She does not restrict items that are available through GSA's Federal Supply Schedules if they are under the \$300 threshold. They justify this because, as stated earlier, it is not economically feasible to go through the standard purchase order process to purchase such small dollar items rather than use the bankcard. Most schedules have a waiver allowing for purchases to be made from other sources if the cost is under a \$300 threshold. Items which appear on EPA's restriction listing such as calculators, typewriters, award plaques, and cameras, are not restricted by her Command Section's program because, again, it is not economically feasible to go through the standard purchase order process. Also, her department's program allows cardholders to justify purchasing "emergency" items that may be available from mandatory sources of supply by citing the amount of time it takes for small purchases to be processed using a purchase order. She stated that they have not identified any purchasing abuses as a result of their more liberal policy.

We also spoke to an EPA official who formerly was a bankcard program coordinator at the Department of Agriculture (DOA). He stated that in DOA's bankcard program, there was no difference between the purchasing power of program and purchasing agent bankcard holders. Bankcard holders can order items on the Federal Supply Schedule if they have attended the training course and understand the mandatory supply requirements. He also said that his Agency allowed cardholders to purchase items from the open market that were available at a mandatory source if the total purchase price was less than \$300.

An official in the Department of Commerce (DOC), whose Bankcard program has been cited as exceptional, also agreed that EPA is not expanding its program as much as it could and suggested that EPA's rules may be too stringent. DOC's bankcard program procedures also allow bankcard purchases which are available from mandatory supply sources if they are under the \$300 threshold.

EPA Updated Its Restrictions

At a July 14th meeting with OAM officials to discuss our position papers, we were provided a July 7, 1995 memorandum from the Director, OAM which updated EPA's guidance to provide for changes in GSA schedules. This memorandum allows bankcard holders to purchase items which previously were restricted, including awards/trophies and laboratory equipment over \$300. We were told that the Director, OAM had also sent a memorandum to GSA officials during the prior week requesting a waiver to allow EPA's bankcard holders purchase items under a \$2,500 threshold level which are available from GSA's mandatory supply schedules. Additionally, OAM officials said that the members of the bankcard program team were preparing a memorandum to cardholders which would raise previously restricted items, such as typewriters and calculators, to a \$300 threshold level. We commend these streamlining initiatives taken by OAM; however, we encourage OAM to promptly disseminate these new guidelines to all bankcard holders and approving officials, not just to Division Directors and Regional Contracting Officer Supervisors, so that these changes can be implemented Agencywide.

Conclusion

The bankcard program was implemented governmentwide to reduce or eliminate the use of other less efficient and more costly small purchase methods. The Agency could better use the bankcard program to reduce costs, improve timeliness of purchases, and improve the efficiency of the Agency staff. Our review indicated that EPA's additional restrictions hindered the card's expansion. OAM officials are currently updating EPA's bankcard restriction guidelines and are seeking approval from GSA officials to implement a waiver for bankcard purchases under a \$2,500 threshold available from mandatory supply schedules.

Recommendation:

We recommend that the Acting Assistant Administrator for Administration and Resources Management re-evaluate and eliminate many of the restrictions which impede the bankcard program's growth by:

Implementing a policy of periodically updating the restrictions listing and disseminating this information to cardholders and approving officials.

AGENCY RESPONSE AND OIG EVALUATION

The Agency generally agreed with the finding presented under the heading, *"EPA's Restrictions Impede The Bankcard Program's Growth,"* and is taking steps to revise and reduce the list of restrictions. The Agency recently requested a waiver from the General Services Administration for exemption from mandatory federal supply schedules within the micro-purchase dollar threshold (\$2,500). If the waiver is granted, the "EPA Guidelines for Use of Government Bankcards" will be modified to allow Cardholders to use the Bankcard for purchases of any supplies/services that are available on the mandatory federal supply schedule. If the waiver is denied, the Agency will reevaluate its position and determine an alternative remedy.

The Agency generally agreed with our findings noted under the heading, *"EPA's Guidance Includes Items No Longer Restricted."* However, the Agency requested that we clarify our statement in this chapter where we said that several federal supply schedules had expired. We cited as examples laboratory instruments and equipment, telecommunications equipment, miscellaneous furniture, office supplies, and active clothing and footwear. The Agency identified several federal supply schedules which have not expired which contain laboratory equipment. We agree that not all of the laboratory schedules have expired, but the bankcard restriction listing should be updated to identify those schedules which have expired.

In regard to our statement that miscellaneous furniture is no longer on a mandatory schedule, the Agency replied that UNICOR (Federal Prison Industries) is still the mandatory source of supply for furniture. However, the Agency stated in its response to the draft report that it will begin notifying bankcard holders and approving officials that UNICOR has begun accepting the bankcard for purchases from their "Quick Ship" catalog in February 1995. We believe Agency guidance should have been updated sooner to notify bankcard holders and approving officials that UNICOR will accept the bankcard for selected items.

The Agency generally agreed with our findings under the heading *"Other Agencies Have Streamlined Their Restriction Policies"* and is in the process of updating the restricted list and will allow program office bankcard holders to purchase items from mandatory federal supply schedules under the \$300 threshold.

CHAPTER 4 **PCMB NEEDS TO IMPROVE ITS MANAGEMENT CONTROL SYSTEM**

While recognizing the benefits from the expanded use of the bankcard program within the Agency, we believe that the bankcard program's management control system should be improved to support these additional transactions. Management is responsible for establishing effective controls, including procedures to ensure that program goals are met. The management control system for the bankcard program can be improved through written guidance for the bankcard program team. The team also needs the ability to conduct more than one annual review of bankcard holder's activities, and computer-generated exception reports should be used to assist in performing administrative responsibilities. We found some inconsistencies in program management and a lack of effective implementation of some internal controls. Additionally, we found that oversight provided by some approving officials, who are responsible for direct oversight and approval of bankcard purchases, could have been improved. These officials were not required by PCMB to attend bankcard training, and therefore, were not familiar with specific bankcard program requirements. Strengthening internal controls is critical to

ensure the bankcard program's integrity with the recommended expanded use and increased number of transactions expected.

During our review, we found that the management provided by the bankcard program team could have been more consistent and timely. The bankcard program team did not timely update and disseminate current bankcard information, including EPA's master listing of cardholders and approving officials and EPA's bankcard program guidance changes. Additionally, we found that the team inconsistently managed the program by granting special approvals to some cardholders to purchase "restricted" items without documenting these approvals. It is important that all bankcard information is current and disseminated to the appropriate officials and that the bankcard program is managed uniformly so that program guidelines are clear and followed consistently. We believe that many of these management problems are caused by the lack of written guidance procedures for the bankcard program team (A group of individuals consisting of a Procurement Analyst, a Procurement Assistant and the Contracting Officer's Technical Representative. The team is responsible for the day-to-day management of the EPA bankcard program and reports to a Supervisory Contact Specialist for policy guidance).

Bankcard Program Team Lacks Written Oversight Procedures

EPA's "Bankcard Training and Call Ordering Officer Course Manual" states that officials of EPA's bankcard program team are primarily responsible for the day-to-day management and oversight of the program. Although the bankcard program team officials are responsible for the oversight of EPA's bankcard program, they lack written procedures detailing their oversight duties and responsibilities. Written procedures are important because they provide structure and consistency to the internal controls needed to monitor the program. Officials in PCMB inferred that the only written guidance the bankcard program team has regarding their specific bankcard oversight duties is what is included in the "EPA Bankcard and Call Ordering Officer Training Course Manual."

The course manual only briefly states that the bankcard program team is responsible for the overall management and oversight of the bankcard program and that the team will regularly review bankcard purchases to ensure compliance with bankcard guidelines. This includes reviews of daily transaction reports received by the bankcard program team in Headquarters and reviews of bankcard purchases and supporting documentation which are maintained at the Cincinnati Financial Management Center (CFMC). The guidance does not specifically address each player's role in the oversight process, the timeliness or scope of such reviews, provide detailed procedures to be followed to ensure compliance with bankcard guidelines, or provide guidance in the case of compliance exceptions. The lack of detailed oversight procedures reduces the opportunity for the bankcard program to operate effectively.

PCMB Needs to Improve Oversight Review Program

PCMB has performed limited oversight of the bankcard program, delegating overall responsibilities to the bankcard program team and to the staff of the CFMC for primary oversight and guidance for the bankcard program.

At the end of each monthly cycle, bankcard holders are responsible for forwarding their signed bankcard logs and Statements of Account, along with all supporting documentation, to CFMC. Although the bankcard training guidance states that CFMC is responsible for performing monthly reviews of this documentation and "routinely" notifying members of the bankcard program team of any indications of improper purchases, CFMC officials stated that they use this documentation only to obtain financial data, and do not perform a review of individual purchases to determine whether they are proper.

According to the bankcard guidance, the bankcard program team, located at Headquarters, is responsible for the overall monitoring of "all" cardholder's purchase transactions. The team is composed only of one full-time and

one part-time procurement analyst. Because the team members do not have access to the detailed transaction information sent to Cincinnati, they instead review summary reports provided by the contractor bank which identify only the name of the vendor, the vendor's standard industrial code (SIC), and the amount of the transaction. These reports do not contain detailed transaction information such as the actual description, price, and quantity of each item purchased. The team uses these reports to develop a preliminary "questionable purchases" (Q-buys) list of potentially prohibited purchases. The Q-buys database stores the date, the merchant, and the amount of the questionable purchase. Examples of Q-buys are: (1) purchases made at the same merchant more than once during the same day (potential split purchases); (2) purchases exceeding the single transaction and office monthly spending limit, and; (3) purchases made at a merchant who may sell restricted items. This listing is used to assist in identifying potential card abuses when performing their detailed review of the purchase documentation at CFMC. Although the Q-buys review identifies some possible abuses of the bankcard, it does not identify other abuses such as missing signatures and supporting documentation or signatures on receipts made by officials other than the authorized bankcard holder.

We were told by team members that funds are available only to travel to CFMC for one week out of the year due to other travel priorities. During this limited time period, the team is only able to review a small portion of the approximately 26,000 purchases made during the year. During the OIG's review, we selected a sample of 35 (out of almost 900 total to date in fiscal 1995) cardholders and planned to review their fiscal 1994 bankcard logs, account statements, and supporting documentation during one week at CFMC. We found it difficult to readily locate cardholder's files due to the quantity of documentation and the complex filing system established by CFMC's officials which is designed for payment versus review processes. Therefore, we were able to review most of the 35 cardholders' bankcard logs, but only two months of statements of account and supporting documentation for fiscal 1994.

Members of the bankcard team said that once potential abuses are identified during their once a year review in CFMC, they will call or send a letter to the cardholder. In many cases, this may be months after the purchase has been made. Members of the team stated that they would understand if these cardholders did not take the long-overdue warning seriously. Further, the team stated that the quality of the oversight suffers because they only have the time to "scratch the surface" when performing their reviews and lack the time to sufficiently follow up on any problems identified during their review.

The Chief, PCMB, has the responsibility and authority to cancel or suspend any bankcard account when it is determined that cancellation or suspension is necessary due to causes of: (1) fraud, waste, or abuse; (2) unauthorized use of the bankcard by the bankcard holder or any other individuals having access to the bankcard; (3) bankcard holder's failure to follow established Agency guidelines; and (4) a request by the bankcard holder or approving official to cancel or suspend the card.

Bankcard program team members stated that if they could perform more timely reviews, they could more stringently enforce suspension of cards, especially for cardholders who routinely send late logs to CFMC or do not send them in at all. They are reluctant to suspend cards of potential abusers since they do not have access to all the necessary documentation until they perform their on-site review at CFMC. Further, they told us that they do not have adequate staff-time available to continuously track suspended cards.

We interviewed some of the cardholders who had violated the bankcard program's guidelines such as not providing sufficient documentation for all purchases or misusing the card. These cardholders said that they had never been contacted nor reprimanded by bankcard officials. Adequate review and prompt followup are necessary in order to ensure that guidelines are being followed properly and to correct any deviances from the guidelines. Although the frequency and severity of violations identified were minor, the lack of proper followup indicates a potential weakness in the review process.

Oversight Provided by Approving Officials Needs Improvement

Although EPA's bankcard training manual states that the approving official is responsible for overseeing the cardholder and ensuring that all bankcard purchases are "proper," we found that almost one-third of the approving officials in our sample had not attended bankcard training. Several also did not have a copy of the course manual which explains the role the approving official plays in oversight duties and details which purchases are restricted or require special approvals. Several approving officials told us that they trust their cardholder(s) to know what purchases are proper.

According to EPA's bankcard training manual, the approving official, generally the immediate supervisor of the bankcard holder, is responsible for overseeing the cardholder and ensuring that all bankcard purchases are "proper." The approving official is responsible for receiving and reviewing completed bankcard logs and monthly bank statements from their cardholders, resolving questions, signing the bankcard logs and statements, and ensuring the completed cardholder statements are delivered with all attachments to CFMC. The approving official is required to review each cardholder's purchases, and determine if these items were for official use and if they were items allowed to be purchased in accordance with GSA and EPA regulations. Officials at Rocky Mountain Bank stated that they recommended this dual control in the system, requiring an approving official to monitor the bankcard holder's purchase activities, in addition to the bankcard program team's oversight and review procedures. Oversight at the program office level is an important control because it provides an additional control at the organizational level and complements the bankcard program team's oversight. Unlike cardholders, approving officials at EPA are not required to attend bankcard training.

An official in PCMB said that currently training is not mandatory for approving officials because it is an unnecessary burden to place on higher-level supervisors. However, members of the bankcard program team involved in the day-to-day management and oversight of the program agreed that in order for the approving officials to be an effective control, they should also be required to attend the training course so they understand their responsibilities. Approving officials would need to take only the four-hour bankcard portion of the training course. By not having completed the bankcard training course; depending on their cardholder to determine proper purchases; and, not maintaining a copy of the course manual, the potential exists for compromised internal controls.

We selected seven major bankcard internal control elements and analyzed bankcard documentation for 35 cardholders in order to determine whether their fiscal 1994 bankcard purchases complied with the FAR and EPA regulations. We found some instances of inadequate or missing documentation; these included cardholder's monthly statements and logs, approving official signatures, receipts, and written descriptions of purchases. We also found instances of card misuses, including small dollar purchases made which are on EPA's restricted items listing, purchases made by employees other than the official cardholder, and purchases which were split in order to stay within established spending limits. The following table shows the results of our analysis.

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Analysis of Bankcard Internal Control Elements			
Internal Control Element	Yes	No	% Violation
Cardholder included purchase receipts with all FY '94 statements of account	31	4	11%
Cardholder provided adequate description of purchase on all FY '94 statements of acco	28	7	20%
Approving Officials signed all FY '94 statements of account	31	4	11%
Cardholder split purchases to avoid card purchase limits during FY '94	3	32	9%

Cardholder purchased items from restricted listing during FY '94	3	32	9%
Cardholder lent card to other employee for use during FY '94	4	31	11%
Cardholder did not secure card at EPA office location	8	27	23%

As shown above, all seven internal controls were violated. The most significant weaknesses identified were: (a) cardholders who did not attach purchase receipts or provide annotated purchase descriptions along with their monthly statements, (b) approving officials who did not sign/approve their cardholder's statements of account, and (c) cardholders who split purchases to avoid their purchase spending limits.

We found that 11% of the bankcard holders we sampled did not always attach purchase receipts to their monthly statements as required. In addition, 20% did not always provide annotated descriptions of purchases as required by the bankcard guidance. We found that one cardholder had not provided CFMC purchase receipts along with her monthly statements. Her approving official, who had not attended the bankcard training course, said that he trusted his cardholder and signed the monthly statements without the receipts. The failure to include purchase receipts and descriptions along with monthly bankcard statements makes it difficult for approving officials to ensure purchases were for official use.

In another example of an internal control element not being followed or enforced, we found that four of the approving officials in our sample did not always sign/approve their cardholder's fiscal 1994 statements of account. We found that one cardholder did not provide receipts or annotated descriptions along with her monthly statement as required by bankcard guidance and her approving official did not sign her monthly statements. However, the finance office, based on its procedures, would still authorize payment of all bankcard charges on these statements.

Additionally, we found that three cardholders had split purchases in order to avoid their purchase spending limits. One cardholder stated that because he did not want to wait for the lengthy purchase order process, he purchased several laser-jet printers during a three-month period. He also said he bargained with the merchant to adjust the printer's price to just below \$1000 in order to keep the purchase under EPA's \$1000 accountable property threshold. We also found that another cardholder had tried to purchase awards (a restricted item) for an office ceremony that exceed her monthly spending limit. We were told that the merchant agreed to split the total purchase cost and charged the excess amount to another cardholder in her office. By splitting purchases, these cardholders circumvented imposed EPA guidelines and limits. As stated previously, although the frequency and severity of these violations identified were minor, we believe improved oversight would assist in identifying and correcting these and other potentially more severe violations that could occur.

A Comprehensive Quality Assurance Program For Information Systems Is Needed

The lack of automation of EPA's program compromises the timeliness of the oversight process and the management support provided to cardholders. A large portion of the bankcard program team's time was spent manually preparing cumbersome reports and providing frequent customer support to cardholders. Rocky Mountain Bankcard System (the contractor bank) provides computer-generated reports and files which detail bankcard holder account information and transaction data. This information is maintained on a system which would enable the team to electronically download the account information and sort it based on the team's needs. Also, according to the bankcard program team, another system has recently been developed by GSA which allows cardholders to interact with a CD Rom system to answer frequently-asked questions related to bankcard purchases. Use of this system by cardholders would alleviate the large portion of time the team spends providing day-to-day customer support. At the time of this report, members of the bankcard program team said they were planning to implement both systems in the near future.

Rocky Mountain Bank provides agencies' account transaction information in the form of hard-copy reports, but also has the capability to download account information directly to agencies who then develop programs to arrange this information into report format. During our review, we found that members of the bankcard program team were spending a large portion of their time manually inputting and updating transaction records to complete their "Questionable buys" (Q-buys) listing, which at the time of our request, the team said was not up-to-date. This report is compiled using the hard-copy summary reports provided by the contractor bank and is used as a tool to identify potential bankcard abuses. Recently, the bank developed and made available their own user-friendly program for agencies' use which replaces the need to provide hard-copy reports to agencies. The bank offers an incentive, in the form of a discount, to agencies who request only electronic information, instead of hard-copy reports. The discount is equal to $.0005 \times$ the sales volume. This program would enable EPA's bankcard program team to print out their own reports; as well as, modify accounts, run queries, and sort the data. With this system in place, the team will no longer need to compile the "Q buys list" or other reports manually. At the time of this report, members of the bankcard program team stated that they were in the process of establishing this system link with the Bank.

According to bankcard officials, General Services Administration (GSA), the Agency responsible for the overall governmental bankcard contract, will introduce a CD ROM system this year that allows customers (cardholders) to interact so that they get answers to frequently-asked questions related to bankcard purchases. The system was developed by GSA in a general format, and each Agency must reformat and customize the program to fit their own guidelines. The bankcard program team told us that at least fifty percent of their time is spent providing customer support and researching and answering cardholders questions regarding purchases. Almost half of cardholders that we interviewed stated that they have contacted the team on various occasions and have always received courteous and helpful support, but many also stated that the response time was often slow. If the new GSA-developed system is compatible with software available to cardholders in EPA's program offices, it would reduce the amount of time the team must spend on customers support issues. At the time of this report, members of the bankcard program team stated that they were considering purchasing the system, reformatting it to EPA guidelines, and making it available to cardholders.

Bankcard Listings and Guidance Not Updated

According to the "EPA Bankcard Training and Call Ordering Officer Course Manual," if a bankcard holder leaves the Agency or transfers within the Agency, the approving official must ensure that the bankcard is destroyed and an "I.M.P.A.C. Card Destruct Notice" form is completed and forwarded by the approving official to PCMB's Bankcard Unit. Further, it is the responsibility of the approving official to notify the EPA bankcard program team of any change in the status of his/her bankcard holders.

We found during our review that a number of approving officials and cardholders on Rocky Mountain Bank's master listing no longer worked for the Agency, but were still listed as the current approving official or cardholder. An approving official stated that, even though they had sent "I.M.P.A.C. Card Destruct Notices" to headquarters, the bankcard holders still were sent a new card a year later. Officials in the bankcard program team stated that all changes go through Rocky Mountain Bank and that sometimes the bank lost information. The Agency needs a better way to make sure the changes occur. It is important that once a cardholder leaves the Agency that their account be closed so that fraudulent charges cannot later be made to their account. Likewise, it is important that the listing of approving officials be current so that summary reports provided by the contractor bank can be delivered to and reviewed by the appropriate officials.

EPA has implemented streamlining measures during the past year, such as new guidance now allowing cardholders to use the bankcard to procure conference rooms, to purchase computers under \$1000, and to purchase items from merchants other than those considered "small" business entities. Also, as items are expiring from GSA's mandatory federal supply schedules, they are no longer restricted for purchase by the bankcard. However, the bankcard program team stated that in addition to their other duties, they do not have the time available to update the bankcard guidance materials and inform cardholders of the changes. Also, members of

the team stated that they had not been informed of the Office of Information Resources Management (OIRM)'s policy memorandum expanding the bankcard's use to permit procurement of computers until after the policy had been issued. Several cardholders and approving officials we interviewed stated that once they attended the training, they did not receive guidance updates from the bankcard program team; and therefore, were not aware of recent guidance changes.

The bankcard program team told us that they were remiss in not informing all cardholders and approving officials of all changes in the program. They said that their D-Mail distribution listing has been outdated for quite some time, but that they updated it earlier this year to include all current cardholders. They said that they realized that not all EPA employees have access to D-Mail, but made a decision to not send hard-copy memorandums to cardholders due to the government's initiative to go paperless. As a result, members of the bankcard program team are required to spend additional time providing customer support by answering cardholder's questions to clarify guidance changes. This also causes inconsistencies where only cardholders who call are aware of the changes in restrictions, while other cardholders who are not aware of the changes unnecessarily process purchase orders, resulting in increased administrative costs to the Agency.

Special Approvals Were Inconsistent And Lacked Documentation

During our review, we found that members of the bankcard team granted special approvals to cardholders allowing them to purchase items on EPA's restricted listing; however, we found no written guidance warranting the team members to make such decisions. Many cardholders told us that they had been granted special permission to purchase restricted items on a one-time special basis. For example, one cardholder stated that he was granted special permission to purchase items on the restricted listing including a cassette recorder, safety clothing exceeding \$300, and prescription lenses. Others stated that they had been given permission to purchase newspaper advertisements, club memberships, and award plaques using the bankcard. The members of the team said that sometimes they allowed special exceptions only for the "better" cardholders and that some former team members were more lenient than others when granting special approvals. One approving official said that she was aware of some instances where cardholders had called the bankcard program team and had bent the truth about the expected use of an item when asking for special permission to purchase restriction items. We believe that the special approvals granted were inconsistent and question the validity of the restrictions given the frequency and leniency of exceptions granted.

During our fieldwork, we found that not only were the special approvals given inconsistent, but they also were not documented. Several of the cardholders we interviewed said that they had been given special permission to purchase restricted items. Except for one, who had received written approval from a former bankcard team member, the others said that they had received the approvals verbally. When we spoke to members of the bankcard program team, they stated that they usually give permission in writing, and rarely give verbal approval. However, they did not maintain copies of all approvals, nor were there copies of the team's approvals in the cardholder's bankcard log files; therefore, neither we nor the bankcard program team could ascertain which approvals were authentic. It is important that all special approvals are not only consistent, but also documented so that an appropriate paper trail is available for future reviews. Members of the team agreed that they should have documented all approvals and maintained copies.

Conclusion

We believe that the bankcard program's management control system should be improved to support additional transactions. EPA's bankcard program team is primarily responsible for the day-to-day management and oversight of the program; however, although many of the internal controls were in place, they were not always implemented. The management control system can be improved through written oversight guidance procedures for the bankcard program team. The team also needs the ability to conduct more than one annual review of bankcard holder's activities, and computer generated exception reports should be used to assist in performing administrative responsibilities. Additionally, we found that oversight provided by some approving officials,

could have been improved had these officials attended bankcard training; and therefore, been more familiar with specific bankcard program requirements.

Recommendations:

In order to improve the oversight and management of the bankcard program, we recommend that the Acting Assistant Administrator for Administration and Resources Management:

Develop written procedures for members of the bankcard program team to provide constancy to the management and oversight of the program, and implement a strategy for designing exception reports based on the computerized information available from Rocky Mountain Bankcard System.

Require all approving officials to attend bankcard training.

AGENCY RESPONSE

The Agency agreed with the findings identified in this Chapter. However, under the heading "*PCMB Needs To Improve Its Management Control System*," the Agency disagreed that the bankcard program team inconsistently managed the program by granting special approvals to some cardholders to purchase "restricted" items without documenting these approvals. Although the team told us they have a procedure for granting approvals which includes documentation, we could not find such documentation in either the bankcard holders' files maintained at CFMC nor did the bankcard program team provide any examples of approvals. With respect to approving officials attending bankcard training, the agency stated that a draft policy will be issued by November 30, 1995 requiring approving officials to attend the bankcard training class. If the current approving officials do not meet the training requirement within one year of the established waiver, another approving official will be designated or the bankcard accounts will be suspended until the designated approving official has met the training requirements.

The Agency agreed with the finding under our heading "*Bankcard Program Team Lacks Written Oversight Procedures*" and will be issuing a document detailing written procedures outlining the duties and responsibilities of the bankcard program team by December 31, 1995. Further, the Agency agreed with the findings under "*PCMB Needs to Improve Oversight Review Program*" and stated that the Bankcard Unit will become a part of the Internal Oversight Center within the Policy, Training and Oversight Division - and bankcard reviews will now be performed by the staff in conjunction with the Center's regularly scheduled acquisition management reviews. However, the Agency also stated that it expects CFMC to immediately notify members of the bankcard program team when an irregularity is discovered during the payment process. We were told by the CFMC bankcard financial specialist that CFMC's first priority is to review financial data. They are not interested in specific purchases or whether they are prohibited items but are interested in whether cardholders send their bankcard logs and statements of account to CFMC in a timely manner. In addition, we were told that the financial specialist does not contact Headquarters regarding questionable items that may be seen when receiving the logs and statements.

The Agency requested under our heading "*Bankcard Listings and Guidance Not Updated*" that we delete the statement that the bankcard program team did not keep records of change requests to later verify that all changes were made. During discussions with team members, we were never told that a file existed, nor shown such a file. Perhaps there was an oversight when the process was explained to us, so the statement was deleted. More importantly, the Agency stated that the bankcard program team can now access the "Remote Access" link to Rocky Mountain Bankcard System. This "Remote Access" system will enable the bankcard program team to perform a more effective oversight of the bankcard program. With this new system, the bankcard program team can log into the database and cancel accounts after they receive any "Destruct Notices." The ability to electronically cancel accounts is a positive step in maintaining an up-to-date listing of all bankcard holders and

their approving officials. In addition, in the bankcard guidance document due to be issued by December 31, 1995, the Agency will detail bankcard suspension procedures which are planned to be strictly enforced.

Appendix I

Abbreviations:

CFMC Cincinnati Financial Management Center

FMFIA Federal Managers Financial Integrity Act

GSA General Services Administration

NIB/NISH National Institute for the Blind/National Institute for the Severely Handicapped

NPR National Performance Review

OAM Office of Acquisition Management

OMB/OFPP Office of Management and Budget/Office of Federal Procurement Policy

OIRM Office of Information Resources Management

PCMB Procurement and Contracts Management Branch

SPU Small Purchases Unit

UNICOR Trade name for Federal Prison Industries (FPI)

RTP Research Triangle Park, NC

Appendix II

EPA's Listing of Restricted Purchases:

The following items are restricted by EPA for purchase by all its bankcard holders because they include items which generally would be purchased using the Government American Express Card or would be considered personal use items:

- (a) Rental or lease of motor vehicles, land, or buildings of any type.
- (b) Purchase of airline, bus, boat, or train tickets.
- (c) Purchase of meals, drinks, and rooms at hotels or motels for any purpose, including conference or meeting rooms and/or rooms from lodging, or any other travel expenses.
- (d) Purchase of any form of entertainment.
- (e) Purchases of gasoline or oil for vehicles or any repairs of vehicles.
- (f) Purchase of any janitorial, yard, or maintenance services, except in emergency cleanups.

(g) Cash advances.

(h) Personal use items.

The following is a listing of additional items restricted for purchase by EPA bankcard holders other than purchasing agents because these items are either provided through mandatory sources of supply or are items or services that require special procedures or conditions.

(a) Typewriters

(b) Adding machines

(c) Calculators (pocket or desk)

(d) Dictating/transcribing machines (including facsimile machines)

(e) Photocopy machines

(f) Cameras

(g) Binoculars

(h) Firearms

(i) Safety clothing (exceeding \$300) and safety equipment

(j) Portable electric power tools

(k) Furniture and furnishings

(l) Awards/plaques

(m) Art work or wall decorations, pictures or posters

(n) Laboratory/scientific supplies and/or equipment (exceeding \$300)

(o) Any items available from mandatory sources of supply

(p) Prescription safety or regular eyewear/glasses

(q) Air purification systems

(r) Paid advertisements

(s) Office supplies available from your EPA supply store

(t) Expert services/consultants

(u) Rental and maintenance agreements

(v) Air time for cellular telephones

(w) Memberships in associations

(x) Emergency equipment repairs estimated at over \$500, final cost less than \$1000

(y) Any item of accountable property where costs exceed \$1000

ATTACHMENT III - AGENCY'S RESPONSE (Not available)

ATTACHMENT IV

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