



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Financial Management

EPA's Fiscal Year 2015 Purchase Card and Convenience Check Program Assessed as Low Risk

Report No. 16-P-0124

March 29, 2016



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Abbreviations

EPA U.S. Environmental Protection Agency
FY Fiscal Year
OIG Office of Inspector General

Cover photo: U.S. General Services Administration photo of a purchase card.

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At a Glance

Why We Did This Audit

The *Government Charge Card Abuse Prevention Act of 2012* requires the Inspector General of each executive agency to conduct periodic assessments of its agency's purchase card and convenience check programs. A convenience check is linked to the purchase card and used to pay the vendor when the purchase card is not accepted. Risk assessments should identify and analyze risks of illegal, improper or erroneous purchases and payments. These assessments are used to determine the scope, frequency and number of periodic audits of purchase card or convenience check transactions. Our objective was to perform a risk assessment of the U.S. Environmental Protection Agency's (EPA's) purchase card and convenience check program, as required by the act.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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EPA's Fiscal Year 2015 Purchase Card and Convenience Check Program Assessed as Low Risk

What We Found

We assessed the EPA's fiscal year (FY) 2015 purchase card program to be at a low risk for illegal, improper or erroneous purchases and payments. During the first 9 months of FY 2015, the EPA had total purchase card transactions totaling \$16,242,611 and convenience check transactions totaling \$133,117, for a total of \$16,375,728. Our risk assessment noted the following that led to our low risk assessment.

We determined the EPA's purchase card and convenience check program for FY 2015 to be at a low risk for illegal, improper or erroneous purchases and payments due to strengthened internal controls.

- The EPA made a number of substantial revisions to its purchase card policy in response to prior EPA Office of Inspector General (OIG) audit report recommendations that strengthened internal controls over the program.
- The EPA certified, and the OIG verified, that all corrective actions to address prior EPA OIG audit report recommendations were completed.
- The scope of the Contract Management Assessment Program purchase card reviews appear to be thorough, and will likely improve internal controls over purchase card and convenience check transactions over time.
- The purchase card and convenience check program was automated in the Payment Net system, effective August 1, 2015, which should improve oversight.
- Our analytical review of purchase card transactions for the first 9 months of FY 2015, and judgmental sampling of the EPA's Compass financial reporting system during the third quarter of FY 2015, disclosed no improper or erroneous purchases or payments.
- Our judgmental sampling of purchase card transactions over the \$3,000 micro-purchase threshold determined that the purchases were within the purchase card holders' authority.

Because we assessed the risk of illegal, improper and erroneous purchases in the agency's purchase card and convenience check program to be low, we make no recommendations. We discussed our findings with the agency, and the agency agreed with our findings. We plan to perform another risk assessment of the purchase card and convenience check program covering FY 2016 to determine whether an audit for that period is necessary.



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

THE INSPECTOR GENERAL

March 29, 2016

MEMORANDUM

SUBJECT: EPA's Fiscal Year 2015 Purchase Card and Convenience Check Program
Assessed as Low Risk
Report No. 16-P-0124

FROM: Arthur A. Elkins Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over the printed name.

TO: Donna Vizian, Acting Assistant Administrator
Office of Administration and Resources Management

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Because this report contains no recommendations, you are not required to respond to this report.

We will post this report to our website at www.epa.gov/oig.

Table of Contents

Purpose	1
Background	1
Responsible Offices	2
Scope and Methodology	2
Results of Risk Assessment	3

Appendix

A Distribution	5
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Purpose

The Office of Inspector General (OIG) conducted a fiscal year (FY) 2015 risk assessment of the U.S. Environmental Protection Agency's (EPA's) purchase card and convenience check program, as required by the *Government Charge Card Abuse Prevention Act of 2012*. Our objective was to assess the risk of illegal, improper and erroneous purchases made through the agency's purchase card and convenience check program and determine the nature, timing and extent of testing necessary.

Background

During the first 9 months of FY 2015, the EPA had total purchase card transactions totaling \$16,242,611 and convenience check transactions totaling \$133,117, for a total of \$16,375,728. A convenience check is linked to the purchase card and used to pay the vendor when the purchase card is not accepted.

The *Government Charge Card Abuse Prevention Act of 2012*, enacted October 5, 2012, reinforced efforts to prevent waste, fraud and abuse in governmentwide charge card programs. The act requires all executive branch agencies to implement internal controls for purchase cards, and establishes reporting and audit requirements. The act also requires the Inspectors General to conduct periodic risk assessments of agencies' purchase card or convenience check programs to identify and analyze risks of illegal, improper or erroneous purchases and payments. The OIG is to use these risk assessments to determine the necessary scope, frequency and number of periodic audits to conduct.

On September 6, 2013, the U.S. Office of Management and Budget issued Memorandum M-13-21 that clarified that the periodic risk assessments conducted by the Inspectors General under the act should be completed annually, at a minimum. These risk assessments should guide analysis or audits as necessary.

On March 4, 2014, the EPA OIG issued an audit report on the EPA's purchase card program, *Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA* (Report No. [14-P-0128](#)). In that report, we recommended that the EPA implement regular transaction reviews to determine if card holders and approving officials are complying with EPA guidance. We recommended that the EPA provide additional training to the purchase card holders and approving officials to address issues identified in this report and institute follow-up actions for the prohibited, improper or erroneous purchases identified in the audit. Also, we recommended that the EPA institute agencywide standard operating procedures, and revise the Contracts Management Manual, to more specifically address purchases such as gym memberships and gift cards. Subsequently, the EPA certified, and the OIG verified, that all corrective actions to address the prior recommendations were completed.

Responsible Offices

The Office of Acquisition Management, within the Office of Administration and Resources Management, is responsible for implementing and overseeing the EPA's purchase card and convenience check program. The Office of the Chief Financial Officer provides support for financial aspects of the program.

Scope and Methodology

We conducted this performance audit from September 2015 through February 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We took a qualitative approach, defining risk in subjective and general terms such as high, medium and low. To assess the risk of the purchase card and convenience check program, we performed the following steps:

- Reviewed and assessed the agency's current internal controls.
- Followed up on the March 2014 EPA OIG audit report recommendations for EPA purchase cards.
- Interviewed purchase card staff and management at EPA headquarters and purchase card holders in Regions 7 and 8.
- Reviewed applicable laws and EPA purchase card policies and procedures.
- Performed analytical review of purchase card and convenience check transactions for the first 9 months of FY 2015 to identify potentially risky transactions.
- Tested a judgmental sample of purchase card transactions during the third quarter of FY 2015 in the EPA's Compass financial reporting system, to assess the potential risk of illegal, improper or erroneous purchases.
- Tested a judgmental sample of purchase card transactions over the \$3,000 micro-purchase threshold during the first 9 months of FY 2015, to determine whether the purchases were within the purchase card holders' authority.

Results of Risk Assessment

We assessed the risk of illegal, improper and erroneous purchases made through the agency's purchase card and convenience check program to be "Low," based on the agency's current internal controls for the program. Specifically, our risk assessment noted the following that led to our conclusion.

- The EPA made a number of substantial revisions to its purchase card policy, effective October 1, 2014, in response to our March 2014 EPA OIG audit report recommendations. These policy revisions strengthened internal controls over the purchase card and convenience check program. For example, the policy revisions:
 1. Increased training requirements.
 2. Added disciplinary actions for violations.
 3. Added gift cards, gift certificates and printing as prohibited transactions.
 4. Added gym memberships as restricted transactions.
 5. Added an annual certification requirement for approving officials.
 6. Enhanced purchase card oversight by the EPA's Office of Acquisition Management through the Contract Management Assessment Program.
 7. Added over 130 Merchant Category Codes considered high risk to the list of transactions requiring closer scrutiny.

The EPA certified, and the OIG verified, that all corrective actions to address the March 2014 EPA OIG audit report recommendations were completed.

- The scope of the Contract Management Assessment Program purchase card reviews appeared to be thorough. The increased oversight of purchase cards in the Contract Management Assessment Program reviews will likely improve the agency's internal controls over purchase card and convenience check transactions over time.
- The purchase card and convenience check program was automated in the Payment Net system, effective August 1, 2015. We determined that this system should improve oversight of the program, for the following reasons:
 1. There is now a standardized, universal process for reviewing transactions, approving transactions, etc.
 2. The purchase card log is now electronic as opposed to manual.
 3. There are reports available through the Payment Net system that will augment and increase oversight capability.

- Our review of purchase card transactions for the first 9 months of FY 2015 did not identify any material transactions for bars, gyms, spas, casinos, and other high-risk purchases.
- Our judgmental sample testing, based on information obtained from the agency's financial reporting system during the third quarter of FY 2015, disclosed no transactions displaying any risks of illegal, improper or erroneous purchases or payments.
- Our judgmental sample testing of purchase card transactions over the \$3,000 micro-purchase threshold determined the purchases were within the purchase card holders' authority.

Because we assessed the risk of illegal, improper and erroneous purchases made through the agency's purchase card and convenience check program to be low, we make no recommendations. During a discussion with the agency on February 9, 2016, the agency agreed with our findings and chose not to provide comments. We plan to perform another risk assessment of the purchase card and convenience check program covering FY 2016 to determine whether an audit for that period is necessary.

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