

***U.S. DEPARTMENT OF COMMERCE***  
***Office of Inspector General***

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**PUBLIC  
RELEASE**

***NATIONAL OCEANIC AND  
ATMOSPHERIC ADMINISTRATION***

*Internal Controls over ERL's  
Bankcard Program Need Improvement*

*Audit Report No. DEN-11627-0-0001 / October 1999*

*Office of Audits, Denver Regional Office*





**UNITED STATES DEPARTMENT OF COMMERCE**  
**The Inspector General**  
Washington, D.C. 20230

October 28, 1999

**MEMORANDUM FOR:** Louisa Koch  
Deputy Assistant Administrator  
Oceanic and Atmospheric Research

**FROM:**   
Johnnie E. Frazier

**SUBJECT:** *Internal Controls Over ERL's*  
*Bankcard Program Need Improvement*  
Final Audit Report No. DEN-11627-0-0001

As a follow up to our draft report, dated August 31, 1999, this is our final report on our audit of bankcard program implementation and usage by two ERL laboratories in Boulder, Colorado. The audit concludes that the two laboratories have weaknesses in internal controls and instances of noncompliance with the *Federal Acquisition Regulation*, Part 13, "Simplified Acquisition Procedures;" *Commerce Acquisition Manual*, Part 13, Chapter 1, as amended July 1, 1996, "Commerce Purchase Procedures;" and Mountain Administrative Support Center *Personal Property Handbook*. Our findings and recommendations appear on pages 3 through 8. NOAA agreed with all findings and recommendations. Based on additional information provided by NOAA, we deleted the finding and recommendation related to the use of blanket purchase agreements. NOAA's complete response is included as Attachment 3 to this report.

Your response, which concurred with the audit recommendations, constitutes the Audit Action Plan required by Department Administrative Order 213-5. Should you have any questions, please contact William R. Suhre, Regional Inspector General for Audits, at (303) 312-7650. We appreciate the cooperation extended by your staff during our audit.

## **INTRODUCTION**

In 1986, several federal agencies, including the Department of Commerce, conducted a pilot project to evaluate the usage of bankcards. The pilot project was successful in identifying opportunities for reducing administrative procurement costs. In 1989, the bankcard was made available government-wide through a contract administered by the General Services Administration. The objectives of the bankcard program are to (1) reduce procurement administrative costs and improve management by expediting and simplifying small purchases, and (2) improve internal controls to eliminate the fraud and abuse present in other small purchase methods.

Bankcard use was facilitated by the Federal Acquisition Streamlining Act of 1994, and Executive Order 12931, which eliminated some requirements for purchases of \$2,500 or less, known as “micro-purchases,” and encouraged agencies to move the authority for making simple purchases from procurement offices to program offices. Subsequently, a report by the U.S. General Accounting Office<sup>1</sup> found that the use of bankcards has skyrocketed, and “... using the purchase card has helped government agencies achieve administrative savings and efficiencies, absorb some of the impact of staffing cuts, and improve their abilities to fulfill their missions.”

While use of the bankcard has been encouraged by the Federal Acquisition Streamlining Act, officials must ensure that bankcard usage complies with *Federal Acquisition Regulation (FAR)* and *Commerce Acquisition Manual (CAM)* requirements. The Department’s Office of Acquisition Management is responsible for overseeing the management of the bankcard program within Commerce, and in turn, has delegated that authority to the Heads of Contracting Offices (HCOs). The applicable HCO, a Mountain Administrative Support Center (MASC) official in Boulder, further delegated purchasing authority to local ERL approving officials and individual cardholders. HCOs, approving officials, and cardholders all have responsibilities to ensure that the bankcard program is properly administered.

## **PURPOSE AND SCOPE OF AUDIT**

We conducted the audit to determine whether ERL’s Space Environment Center (SEC) and Environmental Technology Laboratory (ETL) were utilizing their bankcards in accordance with *FAR*, Part 13; *CAM*, Part 13, Chapter 1; and *MASC Personal Property Handbook*.

Our audit covered the 12-month period ended September 30, 1998. We reviewed purchases based on samples of all transactions by the two laboratories for fiscal year 1998. Additionally, we reviewed applicable regulations, policies and procedures, examined documentation, management reports and records, and interviewed officials as deemed necessary. We completed our audit fieldwork in January 1999, and conducted our exit briefing in March 1999 after a courtesy briefing to the HCO regarding SEC’s and ETL’s implementation of the bankcard program.

We reviewed administrative and accounting internal controls at SEC and ETL relating to their use of the bankcard, including controls over the physical security and authorized use of the bankcards, and the approval, ordering, and receipt of purchased items. We used random sampling techniques for selecting transactions for review (see Attachment 1). We found that SEC and ETL need to improve internal control practices as discussed in the “Internal Controls Over Card Use Needs to be Improved” section of this report. As part of our audit, we interviewed a sample of cardholders and examined their bankcard records for selected transactions (see Attachment 2).

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<sup>1</sup>GAO report number GAO/NSIAD-96-138, *Acquisition Reform*, August 1996.

In conducting our audit, we relied on computer-processed data and tested the accuracy of the data by tracing the data to original source documents and by comparing it to data in other documents. Based on our tests, we concluded that the data was sufficiently reliable for use in meeting our audit objectives.

We also evaluated SEC's and ETL's compliance with laws and regulations applicable to the use of government bankcards. We found instances where ETL and SEC did not comply with certain requirements of *CAM*, as detailed in the "Internal Controls Over Card Use Need to be Improved" section of this report. We noted no evidence of misuse of funds.

Our audit was conducted in accordance with generally accepted government auditing standards, and was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

## **INTERNAL CONTROLS OVER CARD USE NEED TO BE IMPROVED**

Our audit noted weaknesses in SEC's and ETL's implementation of the bankcard program, resulting in weaknesses in internal controls and instances of noncompliance with *FAR*, Part 13; *CAM*, Part 13, Chapter 1; and *MASC Personal Property Handbook*.

### ERL Needs to Require the Use of the Purchase Order Log

Most cardholders for SEC and ETL did not maintain the required purchase order log for bankcard transactions. The log (provided in Attachment B of *CAM*) is the cardholder's record of account and is designed to provide all financial, administrative, and shipping data for each purchase card transaction. Without utilizing the log to record all bankcard transactions when made, the cardholders cannot adequately document, control, and reconcile purchase activity with the bankcard statement and the approving officials cannot adequately determine whether the transactions are appropriate and properly categorized. As a result, the laboratories are at risk for unauthorized and improper procurements.

### ERL Needs to Establish Controls to Request and Document Purchase Pre-Approvals

ERL did not establish a control for documenting pre-approval of significant bankcard purchases. While ERL cardholders attempted to establish practices for obtaining pre-approval of certain bankcard transactions, these procedures were inconsistently applied. Of 26 cardholders interviewed, 2 cardholders claimed to get verbal approval for purchases over \$2,500, 2 cardholders claimed to get verbal approval for transactions over \$1,000, 1 cardholder claimed to get approval for transactions over \$500, 14 cardholders claimed to get approval for all transactions (regardless of the amount), and 7 cardholders did not request approvals for any transactions. Verbal approval of purchases was not documented.

In order to improve management control over significant bankcard transactions (over \$2,500 and those which result in the purchase of accountable property), ERL needs to establish standard practices for obtaining pre-approval for significant bankcard purchases. The required approval need not be administratively burdensome. An electronic e-mail message or other informal means of documentation should be adequate.

#### ERL Needs to Better Control Accountable Property Purchased with Bankcards

Our review of accountable and/or sensitive property purchased with bankcards disclosed that the cardholder's selection of shipping destinations and the process for recording property varied and could potentially cause a loss of accountability. Some cardholders have accountable property shipped directly to the servicing property section for processing; the property is then recorded in the property inventory. However, some cardholders have accountable or sensitive property shipped from the vendor directly to themselves or to the requestor's job site. In these cases, the laboratory could lose accountability of the property since the property section would not have the opportunity to inventory or record the property when it is received, and the cardholder could fail to provide information to account for the property, a violation of *CAM*. We found the following instances where some accountable and/or sensitive property purchased with bankcards was (1) not recorded in inventory for an extended period of time by one cardholder, (2) was transferred to users without documentation by one cardholder, and (3) was never recorded in inventory in at least four instances.

For example, one cardholder picked up the purchased item from the manufacturer instead of having it delivered directly to the shipping and receiving department. The cardholder then took the item to a field site and did not process the required Property Transaction Form (CD 509) for this item. In another case, when the accountable property was shipped directly to the cardholder, the cardholder did not provide the shipping and other property information to the servicing property section. The cardholder resigned a month later. As a result, this property was not included in the inventory as accountable property.

Additionally, three cardholders allowed accountable property purchased with bankcards to be transferred to users without adequate accountability documentation. For example, a computer was loaned to a scientist in Germany doing research on an SEC project, two computers were transferred to a university for use on a projected ETL project, and a printer was shipped to an ETL employee on temporary duty in another location. However, there was no written documentation to verify the loan or transfer of this property, resulting in a loss of accountability.

#### ERL Needs Controls for Bankcard Purchases on Contracts with Other Federal Agencies

ERL does not have controls for property accountability when using the bankcard for purchasing property for projects contracted with other federal agencies. Some of these contracts provide that

the other agency retain title to all property purchased for the project. As a result, the property custodians have not tagged inventory or reported the property to the servicing property section since the *Personal Property Handbook* does not have any accountability requirements for property purchased for other federal agencies, resulting in a potential loss of accountability.

#### ERL Needs to Establish Controls to Avoid Splitting Bankcard Purchases

The lack of ERL and NOAA controls for purchasing items beyond the cardholder's \$25,000 limit resulted in ETL splitting bankcard purchases. ETL used three cardholders at one time to purchase the various components needed to complete a project since the cumulative cost of the components exceeded individual cardholder limits. ETL's use of three cardholders to purchase all of the components in the amount of \$56,598 on the same day, shows questionable use of the bankcards.

In a second example, ETL used more than one cardholder, as well as CD-435 procurement requests, to upgrade and build a piece of equipment at a cost of \$50,626, resulting in split purchases. NOAA issued guidance in a memorandum that suggests cardholders use the CD-435 procurement request form as another method of procurement if bankcard limits are reached. However, use of the CD-435 has also lead to split procurements, since NOAA's suggestion does *not* require the cardholder to redo the *entire* procurement on the CD-435. *CAM*, Part 13, Chapter 1, Paragraph 8.c.(4), prohibits split purchases where the cardholder intentionally divides what should be a single purchase into two or more separate purchases on one or more occasions to avoid purchase limitations.

#### ERL Needs to Improve Security Over Bankcards

Cardholders are required by *CAM* to keep their bankcards in a secure location. Nine SEC and 12 ETL cardholders interviewed did not keep their bankcards in a secure location, such as a locked drawer or cabinet (see Attachment 2). A wallet or handbag is not considered an acceptable secure location.

#### ERL Needs to Improve Bankcard Training

All cardholders are required to complete training deemed by the delegating official to sufficiently address basic purchasing concepts. The *CAM* states that this training could be a standard course or one customized to address unique needs or characteristics for the purchasing organization. Additionally, *CAM* requires that all cardholders and approving officials review the polices and procedures set forth in *CAM* and view the training video once every 24 months. Three SEC and 10 ETL cardholders interviewed were not familiar with the *CAM*, and 10 SEC and six ETL cardholders interviewed had not viewed the training video within the previous 24-month period (see Attachment 2).

## Recommendation

We recommend that the Deputy Assistant Administrator, OAR, improve bankcard internal controls by:

- requiring all cardholders to use the log as stated in the *CAM* to (1) record all transactions made, (2) provide support for transactions when necessary, and (3) reconcile the log with the bankcard statement.
- pre-approving transactions for individual purchases over \$2,500 or those purchases which result in the acquisition of accountable property, using either initials of the approving officials on the log, or separate e-mail attached to the log.
- requiring all cardholders to ship accountable property purchased with the bankcard to their servicing property section and to provide the servicing property section any data not provided on the shipping documents as required by the *CAM*. In emergencies, we recommend that the approving official authorize the shipping of accountable property directly to the recipient and direct the cardholder to immediately provide copies of shipping documents and other property data to the servicing property section.
- directing cardholders and property custodians to process and maintain accountable property purchased for other federal agencies based on property accountability requirements during the duration of the contract, and transfer the property to the contracting agency at the end of the project when required by the contract.
- requiring all cardholders involved in large purchases to first determine the total cost to purchase equipment. If the cost exceeds one cardholder's limit, then the cardholder should notify the requestor that the bankcard system cannot be used and that the requestor should use the Department's purchase order form (CD-435) for the procurement.
- ensuring that all cardholders keep their bankcards in a secure location.
- obtaining assistance from the HCO to assist cardholders in becoming familiar with *CAM* through various training programs, and establish a training program to ensure that cardholders view the training video at least every 24 months.

## SEC Needs to Improve Its Internal Controls

Internal controls are required to protect assets, ensure operating efficiency, and comply with regulatory requirements. We noted the following conditions that indicate internal control weaknesses specific to SEC: (1) two bankcard statements were not approved by an approving

official, (2) 11 bankcard statements were not reviewed timely, and (3) four cardholders did not maintain required documentation for either sole source justifications or competitive bids for several transactions for the 24-month period required by the *CAM* (see Attachment 2).

#### Recommendation

We recommend that the Director, SEC, improve bankcard internal controls by requiring that:

- an approving official or designated alternative approve all bankcard statements prior to payment,
- bankcard statements are reviewed in time to meet prompt payment requirements, and
- all cardholders maintain supporting procurement documents for the *CAM*-required 24 months.

#### ETL Needs to Improve Its Internal Controls

We noted the following conditions which indicate internal control weaknesses specific to ETL: (1) on at least two occasions, finance and accounting officials were not notified when alternate approving officials were used to approve bankcard transactions, (2) bankcard master account summary reports were not maintained by any approving officials to monitor cardholders, (3) four cardholders did not properly post or reconcile bankcard statements, (4) one bankcard file was not properly closed when the cardholder terminated employment, and (5) one unauthorized employee was allowed use of a bankcard (see Attachment 2).

#### Recommendation

We recommend that the Director, ETL, improve bankcard internal controls by requiring:

- approving officials to notify the finance and accounting office when alternate approving officials are used,
- approving officials to maintain bankcard reports to monitor individual cardholders,
- all cardholders to properly post and reconcile bankcard statements,
- approving officials to review terminating cardholder's files as a required step during the employee's out-processing, and
- all cardholders to ensure that only authorized employees use the bankcard.



### NOAA's Comments

NOAA concurred with the audit findings and recommendations contained in the draft audit report. A copy of NOAA's response is included as Attachment 3. NOAA stated that it will ensure that all bankcard holders receive training pertaining to: (1) purchase order log maintenance, (2) pre-approval of purchases, (3) shipping of accountable property, (4) purchases of accountable property through contracts with other federal agencies, (5) splitting bankcard purchases, (6) physical security of bankcards, and (7) cardholder training requirements. NOAA will require written reports from each approving official indicating that the training has taken place for their respective cardholders. Additionally, NOAA will require each organization unit to develop written procedures for tracking personal property.

SEC agreed to develop new procedures and maintain established procedures to ensure all bankcard statements are approved by the appropriate approving official and delivered to the finance office in a timely manner, and documents are maintained for the required time period. SEC plans to conduct an annual audit of all SEC cardholders.

ETL agreed to develop new procedures and maintain established procedures to ensure that the finance office is notified of alternate approving officials, approving officials maintain bankcard reports, cardholders properly post and reconcile bankcard statements, approving officials review terminated cardholder's files, and only authorized cardholders use the bankcard.

### OIG Comments

We appreciate NOAA's positive response to the draft audit report. The draft audit report stated that the use of Blanket Purchase Agreements (BPAs) without considering small business set-asides conflicts with the *CAM* requirement to reserve purchases between \$2,500 and \$100,000 for small businesses. Based on further review, we determined that NOAA complied with FAR Part 8.4 when awarding the BPA, which negates the requirements detailed in FAR Part 13 and FAR Part 19 that cardholders receive competitive quotations from small businesses prior to utilizing BPAs. The BPAs were put in place by NOAA with GSA Federal Supply Schedule contractors. GSA confirmed that the process complied with all aspects of FAR Part 8.4. As a result, we withdraw the audit finding and recommendation from the final report.

### Attachments

cc (w/att): Rica Semones, OAR Liaison, Environmental Research Laboratories  
Steven Clifford, Director, Environment Technology Laboratory  
Ernie Hildner, Director, Space Environment Center

**Environment Technology Laboratory  
Bankcard Program  
FY 1998**

|                         | Transactions        |                           |                      |             |
|-------------------------|---------------------|---------------------------|----------------------|-------------|
|                         | Over<br>\$5,000 (a) | \$2,500 to<br>\$5,000 (b) | Under<br>\$2,500 (c) | Total       |
| Bankcard Transactions   | 58                  | 58                        | 2,938                | 3,054       |
| Selected for Review     | 19                  | 20                        | 20                   | 59          |
| Selected for Review (%) | 33%                 | 34%                       | 1%                   | 2%          |
| Amount of Transactions  | \$442,199           | \$164,038                 | \$812,863            | \$1,419,100 |
| Amount Reviewed         | \$137,111           | \$50,284                  | \$7,423              | \$194,818   |
| Amount Reviewed (%)     | 31%                 | 31%                       | 1%                   | 14%         |

Notes:

- (a) One in every three transactions was randomly selected for review, including the first transaction in the report, for a total of 19 transactions. All cardholders in this category were selected for interviews and all accountable property was physically verified.
- (b) One in every three transactions was randomly selected for review, including the first transaction in the report, for a total of 20 transactions. Every other cardholder from the list of reviewed transactions was selected for an interview and all accountable property purchased by an interviewed cardholder was physically verified.
- (c) One in every 147 transactions was randomly selected for review, including the last transaction in the report, for a total of 20 transactions. Every other cardholder from the list of reviewed transactions was selected for an interview and all accountable property purchased by an interviewed cardholder was physically verified.

**Space Environment Center  
Bankcard Program  
FY 1998**

|                         | Transactions        |                           |                      |           |
|-------------------------|---------------------|---------------------------|----------------------|-----------|
|                         | Over<br>\$5,000 (a) | \$2,500 to<br>\$5,000 (b) | Under<br>\$2,500 (c) | Total     |
| Bankcard Transactions   | 26                  | 36                        | 862                  | 924       |
| Selected for Review     | 26                  | 18                        | 21                   | 65        |
| Selected for Review (%) | 100%                | 50%                       | 2.4%                 | 7%        |
| Amount of Transactions  | \$238,971           | \$100,259                 | \$259,901            | \$599,131 |
| Amount Reviewed         | \$238,971           | \$51,985                  | \$10,944             | \$301,900 |
| Amount Reviewed (%)     | 100%                | 51.9%                     | 4.2%                 | 50.4%     |

Notes:

- (a) All transactions over \$5,000 were selected for review. All cardholders in this category were selected for interviews and all accountable property was physically verified.
- (b) The first and every other sequential transaction were randomly selected for review, for a total of 18 transactions. All cardholders in this category were selected for interviews and all accountable property was physically verified.
- (c) The first and every 43rd transaction were randomly selected for review for a total of 21 transactions. Every other cardholder in this category was randomly selected for an interview and accountable property purchased by cardholders selected for interviews was physically verified.

### **Space Environment Center Cardholder Interviews**

- A total of 27 SEC cardholders.
- 11 cardholders interviewed from the 12 cardholders selected for interviews.
- One cardholder was unavailable for interview.
- 9 of 11 cardholders interviewed did not keep their bankcards in a secure area.
- 3 of 6 cardholders interviewed, with a purchase limit of \$25,000, stated that they had not read and were not familiar with *CAM*.
- 10 of 11 cardholders interviewed had not viewed the training video within the previous 24-month period.
- 7 of 11 cardholders interviewed did not use a purchase log for all bankcard transactions.
- 1 of 11 cardholders interviewed did not keep any type of purchase log.
- 6 of 11 cardholders interviewed used a purchase log only when a receipt was not available.
- 6 of 11 cardholders interviewed stated that they verbally obtained prior approval for bankcard purchases from their supervisor; however, there was no documentation to support these statements.
- 4 of 11 cardholders interviewed stated that they never received prior approval for bankcard purchases from their supervisor.

### **Environment Technology Laboratory Cardholder Interviews**

- A total of 57 ETL cardholders.
- 15 cardholders interviewed from the 18 cardholders selected for interviews.
- Three cardholders were unavailable for interview.
- 13 of 15 cardholders interviewed did not keep their bankcards in a secure area.
- 2 of 5 cardholders interviewed, with a purchase limit of \$25,000, stated that they had not read and were not familiar with *CAM*.
- 2 of 5 cardholders interviewed, with a purchase limit of \$25,000, stated that they had scanned through *CAM* but not read it in detail.
- 6 of 15 cardholders interviewed had not viewed the training video within the previous 24-month period.
- 12 of 15 cardholders interviewed did not use a purchase log for all bankcard transactions.
- 3 of 15 of cardholders interviewed did not keep any type of purchase log.
- 3 of 15 cardholders interviewed used a purchase log only when a receipt was not available.
- 6 of 15 cardholders interviewed used a purchase log only for telephone orders.
- 12 of 15 cardholders interviewed stated that they verbally obtained prior approval for bankcard purchases from their supervisor; however, there was no documentation to support these statements.
- 3 of 15 cardholders interviewed stated that they never received prior approval for bankcard purchases from their supervisor.



**UNITED STATES DEPARTMENT OF COMMERCE**  
**National Oceanic and Atmospheric Administration**  
CHIEF FINANCIAL OFFICER/CHIEF ADMINISTRATIVE OFFICER

September 29, 1999

MEMORANDUM FOR: George E. Ross  
Assistant Inspector General for  
Auditing

FROM: Paul F. Roberts *Barbara Martin (for)*  
Chief Financial Officer/  
Chief Administrative Officer

SUBJECT: OIG Draft Report: Internal Controls Over ERL's  
Bankcard Program Needs Improvement  
Report No. DEN-11627-9-XXXX

Thank you for the opportunity to review and comment on the draft report on bankcard usage at the office of Oceanic and Atmospheric Research's (OAR) Environmental Research Laboratory (ERL).

OAR is currently undergoing a reorganization which will result in the establishment of ERL as OAR Laboratories. There will no longer be an ERL Headquarters component. Nonetheless, NOAA accepts the recommendations made in the report. They will help in our efforts to improve internal controls over bankcards.

Attached is a more detailed response to the report's findings and recommendations.

Attachment



## Response To Recommendations

**OIG Recommendations:** We recommend that the Executive Director, ERL, improve bankcard controls by:

**Recommendation 1:** requiring all cardholders to use the log as stated in the CAM to (1) record all transactions made, (2) provide support for transactions when necessary, and (3) reconcile the log with the Bankcard statement;

**NOAA Response:** NOAA concurs. During FY 2000 the Administrative Officer (AO) of OAR will work with the AOs throughout OAR to ensure that all bankcard holders receive training reminding them of their responsibilities. The OAR AO will require written reports from each AO indicating that the training has taken place for their respective cardholders.

**Recommendation 2:** pre-approving transactions for individual purchases over \$2,500 or those purchases which result in the acquisition of accountable property, using either initials of the approving officials on the log, or separate e-mail attached to the log;

**NOAA Response:** We concur. During FY 2000 the AO of OAR will work with the AOs throughout OAR to ensure that all bankcard holders receive training reminding them of their responsibilities. The OAR AO will require written reports from each AO indicating that the training has taken place for their respective cardholders.

**Recommendation 3:** requiring all cardholders to ship accountable property purchased with the Bankcard to their servicing property section and to provide the servicing property section any data not provided on the shipping documents as required by the CAM. In emergencies, we recommend that the approving official authorize the shipping of accountable property directly to the recipient and direct the cardholder to immediately provide copies of shipping documents and other property data to the servicing property section;

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**NOAA Response:** We concur. During FY 2000 the AO of OAR will work with the AOs throughout OAR to ensure that all bankcard holders receive training reminding them of their responsibilities. The OAR AO will require written reports from each AO indicating that the training has taken place for their respective cardholders. The OAR AO will also require written procedures from each organizational unit on their procedures for tracking personal property.

**Recommendation 4:** directing cardholders and property custodians to process and maintain accountable property purchased for other federal agencies based on property accountability requirements during the duration of the contract, and transfer the property to the contracting agency at the end of the project when required by the contract;

**NOAA Response:** We concur. NOAA will comply with the requirements of the Personal Property Handbook regarding property of this type. During FY 2000 the AO of OAR will work with the AOs throughout OAR to ensure that all bankcard holders receive training reminding them of their responsibilities. The OAR AO will require written reports from each AO indicating that the training has taken place for their respective cardholders.

**Recommendation 5:** requiring all cardholders to determine and document that a price is fair and reasonable based on competitive quotations for small businesses prior to utilizing BPAs. Using this method, ERL can ensure that cardholders comply with CAM's small business requirements for purchases between \$2,500 and \$100,000. If the small businesses do not provide quotes or the quotes are not competitive with the BPA offerings, then cardholders should utilize the BPAs when they represent the lower and best price available;

**NOAA Response:** We concur. During FY 2000 the AO of OAR will work with the AOs throughout OAR to ensure that all bankcard holders receive training reminding them of their responsibilities. The OAR AO will require written reports from each AO indicating that the training has taken place for their respective cardholders.



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**Recommendation 6:** requiring all cardholders involved in large purchases to first determine the total cost to purchase equipment. If the cost exceeds one cardholder's limit, then the cardholder should notify the requestor that the Bankcard system cannot be used and that the requestor should use the Department's purchase order form (DC-435) for the procurement;

**NOAA Response:** We concur. During FY 2000 the AO of OAR will work with the AOs throughout OAR to ensure that all bankcard holders receive training reminding them of their responsibilities. The OAR AO will require written reports from each AO indicating that the training has taken place for their respective cardholders.

**Recommendation 7:** ensuring that all cardholders keep their Bankcards in a secure location;

**NOAA Response:** We concur. During FY 2000 the AO of OAR will work with the AOs throughout OAR to ensure that all bankcard holders receive training reminding them of their responsibilities. The OAR AO will require written reports from each AO indicating that the training has taken place for their respective cardholders.

**Recommendation 8:** obtaining support from the HCO to assist cardholders in becoming familiar with CAM through various training programs, and establish a training program to ensure that cardholders views the training video at least every 24 months.

**NOAA Response:** We concur. During FY 2000 the AO of OAR will work with the AOs throughout OAR to ensure that all bankcard holders receive training reminding them of their responsibilities. The OAR AO will require written reports from each AO indicating that the training has taken place for their respective cardholders.

**We recommend that the Director, SEC, improve bankcard internal controls by requiring that:**

**Recommendation 9:** an approving official or designated alternative approve all Bankcard statements prior to payment;

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**NOAA Response:** We concur. The SEC has always had a designated approving official and alternate approve all statements. It is also required that all Bankcard statements be sent through the Administrative Office prior to being forwarded to the Finance Office. This allows for the SEC to complete a technical review of the statements, ensure that all statements are approved by the appropriate approving official, and make certain that statements are delivered to the Finance Office in a timely manner. We have checked with the Mountain Administrative Support Center (MASC) Finance (the office that issues all payments) to verify that their policy is that unapproved statements are not accepted. If unapproved statements are received by MASC, they are immediately returned to SEC for final approval.

**Recommendation 10:** bankcard statements are reviewed in time to meet prompt payment requirements;

**NOAA Response:** We concur. The policy of the MASC Finance Office is to pay monthly credit card invoices within the time lines of the Prompt Payment Act. MASC officials have indicated that payments to the bankcard center are made regardless of statement status. While the bill is paid, the costs are charged to a default number and a notice is sent to the cardholder, and to the respective administrative office, notifying them of the delinquent statement and requesting immediate action.

After reviewing the OIG report, the Finance Office was contacted and asked to check their records for the SEC over the past two years. Their review indicated that the SEC has never been delinquent in meeting MASC deadlines for the submission of statements during this period. It is important to note that if the OIG is considering "statement dates" as printed on the statements, there have been substantial delays in the receipt of those statements by the SEC (sometimes as late as two weeks from the date on the statement). In light of this potential delay, the SEC has worked closely with MASC to ensure that payment deadlines are met.

**Recommendation 11:** all cardholders maintain supporting procurement documents for the CAM-required 24 months.

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**NOAA Response:** We concur. This policy is clearly stated in the CAM. The Heads of Contracting Offices (HCOs) perform random audits of cardholders to ensure such compliance. In January 1999, the SEC began developing internal audit procedures to determine if documents are maintained for the required period of time. The SEC plans to conduct an audit of all SEC cardholders each year. In addition, the SEC is now requiring each cardholder to provide a signed statement annually which certifies that they have read and understand the CAM.

**We recommend that the Director, ETL, improve bankcard internal controls by requiring:**

**Recommendation 12:** approving officials to notify the finance and accounting office when alternate approving officials are used;

**NOAA Response:** We concur. ETL and the bankcard procurement representative, have on file a list of approving officials and alternates. The OIG suggested that ETL should implement a new procedure of attaching a memorandum to the actual Bankcard statement notifying finance of the use of an "acting" alternate approving official. ETL agrees with this suggestion and has set up procedures with each approving official as well as the administrative assistants to ensure this action is implemented.

**Recommendation 13:** approving officials to maintain bankcard reports to monitor individual cardholders;

**NOAA Response:** We concur. ETL's bankcard managers are responsible for verifying that all information is valid, task numbers are accurate and purchases are appropriate. The official bankcard statement is then signed by the appropriate reviewing official and forwarded to the AO for final review, copied as an official record, and sent to finance. The signed copy is posted to the accounting system and kept in a secure file with the AO's office. These files are available to approving officials or the accounts manager upon request.

**Recommendation 14:** all cardholders to properly post and reconcile bankcard statements;

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**NOAA Response:** We concur. All cardholders have been instructed to be thorough in the completion of their statements, including object class codes and descriptions. The project manager is responsible for assigning or reviewing the project number and the appropriateness of the purchase to the program.

The OIG provided a preliminary report of findings to ETL during the summer of 1999. ETL in turn forwarded a copy of the findings to each of the cardholders and held discussions with the project managers and administrative support staff regarding the new procedures recommended by the OIG. ETL has implemented many of the suggestions made at that time. Discussions have been initiated with the Procurement Office about the possibility of setting up training in "small purchases" for ETL, and they will occur after this fiscal year is completed and ETL and procurement could develop the specific points of interest in training, i.e., Bankcards, Requisitions, BPA. As new requirements are defined, each Bankcard holder has been forwarded a copy, usually thru email, of the regulations. All cardholders are required to take the training offered through our procurement division or their Bankcard will be suspended.

**Recommendation 15:** approving officials to review terminating cardholder's files as a required step during the employee's out-processing;

**NOAA Response:** We concur. ETL has implemented a procedure requiring cardholders to turn in the bankcard and all files to the AO at the time of resignation, transfer, etc. The bankcard and all files pertaining to the cardholder will be kept for two years within the administrative support office of the owning division.

**Recommendation 16:** all cardholders to ensure that only authorized employees use the Bankcard.

**NOAA Response:** We concur. This is a basic requirement of the Bankcard system, and cardholders are reminded of the regulations. ETL's AO reviews statements and invoices to insure proper use and control by the cardholder. All cardholders have been instructed

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through formal training not to give their cards to other employees. If this occurs for the first time, a warning is given. A second offense will result in the card being suspended. If there is a third offense, the card will be revoked.