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# Purchase Cards

Report No. OIG-AMR-65-11-03

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Memorandum from the Chief, Acquisitions Management Branch, response to Draft Audit Report – Purchase Card (OIG-AMR-654), dated September 12, 2011.

## **EXECUTIVE SUMMARY**

During Fiscal Year 2010, 86 employees of the National Labor Relations Board used purchase cards to complete 13,896 transactions for approximately \$2.75 million.

The objective of this audit was to determine whether the National Labor Relations Board's purchase card program was operated in accordance with applicable laws, regulations, and Agency policies; and whether controls were sufficient to prevent or detect waste, fraud, and abuse. Our scope was purchase card activity during Fiscal Year 2010.

Overall, the National Labor Relations Board's purchase card program streamlines the acquisition process for goods and services while providing controls that are sufficient to prevent fraud and abuse. We did, however, find areas of administrative controls that could be improved upon. These areas primarily relate to documenting procedures, monitoring transactions, and the use of priority vendors.

We are making five recommendations that we believe will assist in managing the purchase card program and strengthen its internal controls.

Management provided comments to the draft report that generally acknowledged the findings and recommendations. The comments also state various steps that will address implementation of the recommendations. Management, however, disagreed with our finding regarding training of card holders and approving officials. Management also disagreed with our recommendation that the Acquisitions Management Branch coordinate with the Facilities and Property Branch to provide guidance to purchase card holders related to maintaining records for and disposition of non-consumable property purchases. A copy of management's comments is included as an appendix to the report.

## **BACKGROUND**

The General Services Administration (GSA) administers the Federal government's credit card program. GSA contracts with commercial banks to issue credit cards to Federal employees to make official purchases. The credit cards are generally referred to as "purchase cards." Use of the purchase card is intended to streamline procurement and payment procedures and reduce administrative burden by reducing the number of procurement requests, purchase orders, and vendor payments issued.

The National Labor Relations Board's (NLRB or Agency) purchase cards are issued by Citibank and the program is administered by the Acquisitions Management Branch.

During Fiscal Year (FY) 2010, the NLRB had 98 purchase card holders. Of those cardholders, 86 had activity in FY 2010 involving 13,896 transactions for approximately \$2.75 million.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The objective of this audit was to determine whether the NLRB's purchase card program was operated in accordance with applicable laws, regulations, and Agency policies and whether controls were sufficient to prevent or detect waste, fraud, and abuse. Our scope was purchase card activity during FY 2010.

We reviewed Government-wide laws, regulations, and policy documents related to the use of purchase cards. We also reviewed Agency policies and procedures and interviewed Agency personnel to identify operating procedures.

We tested activity related to monitoring purchase card transactions; providing training for cardholders and Approving Officials; and canceling purchase card accounts of separated cardholders. We also tested to determine whether Approving Officials were signing cardholders' monthly statements and whether the statements were supported by proper documentation.

We evaluated purchase card activity to determine whether cardholders were using the purchase cards for official Government expenses in accordance with laws, regulations, and Agency policies.

We excluded from our testing any purchase card transactions by the Office of Inspector General purchase card holder.

We conducted this performance audit in accordance with generally accepted government auditing standards during the period June 2010 through September 2011. 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 conducted this audit at NLRB Headquarters in Washington, DC.

## **FINDINGS**

In general, we found that controls were sufficient to prevent fraud and abuse. We did, however, find areas where the administrative controls could be improved upon. These areas relate to documentation, monitoring, and the use of priority supply sources.

## **DOCUMENTATION OF PROCEDURES**

Office of Management and Budget (OMB) Circular A-123, Appendix B (Appendix B), requires each agency to develop and maintain a Purchase Card Management Plan, update the plan at least annually, and submit a copy of their plan to OMB on an annual basis, not later than January 31 of each calendar year.

During FY 2010, the Agency did not have a Purchase Card Management Plan. In February 2011, the Acquisitions Management Branch prepared and submitted a Management Plan to OMB.

We evaluated the Management Plan provided to OMB to determine whether it addressed all of the elements required by Appendix B.

We found that the Management Plan addressed all but two of the required elements. One element missing was an explanation of how available reports and data would be used to monitor delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues. The Management Plan also did not include a description of how the Agency will ensure the ongoing effectiveness of the actions related to evaluating the effectiveness of training, refund management controls, and tax recovery efforts.

## **Recommendations**

We recommend that the Acquisitions Management Branch Chief:

1. Amend the Management Plan to include all items required by Appendix B.
2. Implement the policies and procedures outlined in an amended Management Plan.

## **MONITORING**

Appendix B requires agency managers to review available data to detect instances of delinquency, fraud, and misuse and identify trends and outliers in relevant indicators of charge card program performance. At the NLRB, these managers include the Acquisitions Management Branch Chief, who is the “Agency Program Coordinator,” and the cardholders’ supervisors, who are the “Approving Officials.”

### **Agency Program Coordinator**

As noted above, the Agency did not have a Management Plan for FY 2010 and did not have documented procedures for reviewing purchase card activity. Since the procedures were not documented, we asked Acquisitions Management Branch officials to describe their monitoring process. The process

that they described included monitoring purchase card activities by using reports available from Citibank and sending an e-mail message to a cardholder requesting additional information when a questionable transaction was spotted.

When we reviewed the documentation related to these activities, we found that the Acquisitions Management Branch maintained the Citibank reports for October 2009 and June through September 2010 with handwritten notations, but that e-mail messages were not maintained. The Agency’s records retention schedule requires these types of records to be maintained for 2 years after the end of the fiscal year.

Below is a table that shows the results of the Acquisitions Management Branch’s monitoring efforts as documented by the reports:

<b>Month</b>	<b>Questioned Transactions</b>	<b>Split Transactions</b>	<b>Sales Taxes</b>	<b>Total</b>
October 2009	0	0	0	0
June 2010	1	0	3	4
July 2010	1	0	0	1
August 2010	2	0	3	5
September 2010	1	0	4	5
October 2010	1	1	1	3
<b>Total</b>	<b>6</b>	<b>1</b>	<b>11</b>	<b>18</b>

**Approving Official’s Signature and Transaction Documentation**

Approving Officials are responsible for ensuring that all purchases made by the cardholder were appropriate and that charges are accurate. After reviewing the charges, the Approving Official is required to sign the account statement and maintain documentation in accordance with Agency procedures. Before February 19, 2010, the Agency’s practice was to have cardholders submit statements and invoices to the Finance Branch. This practice, however, was not documented in written policies or procedures. On

February 19, 2010, NLRB cardholders were notified by the Finance Branch that they were required to sign and date purchase card statements, have their supervisor sign and date the statements, attach a copy of all invoices, and send the signed statements and copies of all invoices to the Finance Branch.

We tested all purchase card statements with activity during FY 2010 to determine whether they were signed and dated by the cardholder and Approving Official. We also tested all purchase cards with activity in April, June, and September 2010 to determine whether the statements were sent to the Finance Branch with all invoices or another valid form of documentation.

#### *Approving Officials Review and Documentation*

Based on a review of Citibank data, we identified a universe of 851 purchase card statements to test between October 15, 2009 and October 15, 2010. From this testing, we excluded six statements – one from a cardholder who is involved in an Office of Inspector General investigation, two from a cardholder in the Office of Inspector General, and three from an office that is detailed an Office of Inspector General employee. Of the remaining 845 statements, 118 were not available in the Finance Branch, but we were able to obtain 106 of those directly from the cardholders.

For the 833 purchase card statements available for review, we found that 105 of them (13 percent) were not signed by the Approving Official. Eighty-nine of these statements did not have any signature and 16 were signed by someone other than the Approving Official identified by the Acquisitions Management Branch.

#### *Transaction Documentation*

In order to show trends in cardholders adhering to the February 19, 2010 requirement, we reviewed statements from April, June, and September 2010 to determine whether the statements were submitted to the Finance Branch with the proper documentation.

There were 202 statements for cardholders with purchase activity in April, June, and September 2010. As shown in the table below, 51 percent of the statements were supported by adequate documentation and 13 percent had no documentation submitted to the Finance Branch.

<b>MONTH</b>	<b>Complete Support</b>	<b>Partial Support</b>	<b>No Support</b>	<b>No Statement in Finance</b>
April	39	16	2	8
<i>Percent</i>	60%	25%	3%	12%
June	27	25	4	8
<i>Percent</i>	42%	39%	6%	13%
September	36	32	3	2
<i>Percent</i>	49%	44%	4%	3%
<b>Total</b>	<b>102</b>	<b>73</b>	<b>9</b>	<b>18</b>
<b><i>Percent</i></b>	<b>51%</b>	<b>36%</b>	<b>4%</b>	<b>9%</b>

### **Recommendation**

Note: Recommendations 1 and 2 address the development and implementation of procedures to address the findings noted above.

### **SEPARATED EMPLOYEES**

OMB's best practices include establishing controls to ensure that purchase card accounts are canceled when an employee retires or leaves the Agency.

For FY 2010, the Agency did not have written procedures regarding separated employees.

Seven cardholders separated from the Agency during FY 2010. One of these accounts remained open for more than a year after the employee separated from the Agency and another account was still open as of May 13, 2011. One office continued to use the separated employee's card. There

was no activity on the other card after the employee separated.

The Purchase Card Management Plan submitted to OMB on February 7, 2011, contained procedures for canceling accounts when cardholders transfer between NLRB operating units or leave the Agency.

## **TRAINING**

Appendix B, states that all purchase card holders and Approving Officials must receive training prior to appointment; receive refresher training at least every 3 years; and certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions.

In FY 2010, the Agency's training program consisted of providing in-house training to cardholders and Approving Officials. Employees who became cardholders or Approving Officials after this training was provided were required to take on-line training provided by GSA. Training records and certificates were maintained by the Acquisitions Management Branch.

We reviewed the in-house training provided to cardholders and found that it met OMB requirements. We also tested to determine whether cardholders and Approving Officials, other than those in the Office of Inspector General, met the training requirement. For 7 of the 52 Approving Officials (13 percent), we found either no record of initial training or that refresher training was not completed within the 3-year period. We also could not find a record of training for 1 of the 97 cardholders. This cardholder was also one of the seven Approving Officials.

## **Management Comment**

Management commented that they had no record of any cardholder or approving officials who have not been properly trained. They noted that their procedures require that all cardholders and approving officials provide a copy of a certificate of training before any purchase card applications

are processed or before any approving officials are added to their roster.

### **OIG Response**

After receiving the comments to the draft audit report, we met with the Acquisitions Management Branch Chief and reviewed the records that he provided. This work confirmed the finding that there was no record of training for seven approving officials and one cardholder within the 3 year period of the scope of this audit.

### **Recommendation**

Note: Recommendations 1 and 2 address the development and implementation of procedures to address the findings noted above.

## **TESTING OF TRANSACTIONS**

### **Improper Purchases**

The Federal Acquisition Regulation states that authorized cardholders are required to use the purchase card for purchases/expenses related to official expenses, but not for personal reasons. Also, purchase cards cannot be used for travel related transactions.

Merchant category codes (merchant codes) are established by the banks to identify different types of businesses. To identify potentially improper purchase card use during FY 2010, we queried Citibank's database for transactions charged to merchant codes that are inconsistent with official business. These merchant codes included department stores, florists, health and beauty spas, electronic stores, grocery stores, supermarkets, and various types of eating establishments. We also queried Citibank's database for transactions that appeared to be travel-related or that occurred on weekends. We reviewed the identified transactions to determine whether they were improper.

We did not find any improper transactions that had not been previously identified by prior Office of Inspector General or Acquisitions Management Branch activity.

## **Exceeding the Micro-Purchase Level**

Unless a purchase card holder has additional procurement authority, he or she may only make purchases up to the micro-purchase limit of \$3,000. Our testing found 16 transactions that were made by two purchase card holders without additional procurement authority that exceeded the micro-purchase level in amounts ranging from \$3,242 to \$12,540.

A contributing factor to exceeding the micro-purchase limit was that purchase card holder's single transaction limit was set at an amount above the micro-purchase limit. In all, we found 12 purchase card holders that, at some point during FY 2010, had a single transaction limit greater than the micro-purchase limit. The Acquisitions Management Branch took corrective action both before and during the audit.

## **Split Purchases**

Purchases made to the same vendor on the same day in order to circumvent the micro-purchase limit are improper. We refer to such activity as "split purchases." Both Government-wide and Agency policies prohibit these types of transactions.

We reviewed the database of purchase card activity for FY 2010 in order to identify potential split purchases. We then reviewed supporting documentation to determine whether the identified transactions were in fact split purchases.

We identified seven instances in which cardholders made more than one charge to the same vendor on the same day. The charges totaled \$28,841. In two instances, the invoice exceeded the micro-purchase limit, but the payment was split into more than one charge. For the other five instances, we found the cardholder made two or more separate purchases to the same vendor on the same day.

The Agency's Purchase Card Management Plan that was submitted to OMB in February 2011 identifies procedures to review activity for questionable transactions and split purchases along with the consequences for purchase card misuse.

## **Management Comment**

In the draft report, we stated that our observation is that these procedures have not been fully implemented. Management disagreed with our observation.

## **OIG Response**

We based our observation on the comments made by Acquisitions Management Branch personnel during audit interviews that occurred in February 2011 after the Agency's Purchase Card Management Plan was submitted to OMB. While we wanted to note that the Branch had taken some corrective action, we also wanted to ensure that our report did not imply that corrective action was fully implemented. Our finding that identified seven transactions is based on purchase card activity that occurred during FY 2010. We did not conduct any testing of purchase card activity that occurred during or after February 2011. As part of our audit follow-up work, we will determine if the procedures have been fully implemented.

## **Purchases Outside Authorized Purchase Category**

The Federal Acquisition Regulation states that agencies using the purchase card should establish procedures for use and control of the card. A document titled "Welcome to the NLRB Citibank Purchase Card Program" (NLRB Guide), dated June 29, 2009, contain the operational instructions that provide guidance to NLRB cardholders. The NLRB Guide identifies what purchases cardholders are authorized to make. The NLRB Guide also states that the respective department should be contacted to obtain the items they are not authorized to purchase.

We reviewed all purchase card transactions to determine whether cardholders purchased items that were not authorized by the NLRB Guide. We identified 59 transactions, totaling \$77,420, that were outside the cardholders' purchase card authority.

The unauthorized transactions include 39 transactions for training expenses that totaled \$75,399 that were completed by purchase card holders who were not employees of the

Office of Employee Development. The NLRB Guide states that only the Office of Employee Development cardholders are authorized to purchase training. Three purchase card holders from one office made 35 of the transactions, totaling \$72,952.

Other than the training charges, cardholders completed 20 transactions totaling \$2,021 that, according to the NLRB Guide, were not authorized. The transactions included the purchases of books and subscriptions, furniture, repair services, and transportation costs.

### **Priority Sources**

The Federal Acquisition Regulation identifies the priorities for use of Government supply sources. These include, in order, agency inventories, excess from other agencies, Federal Prison Industries, Inc., products available from the Committee for Purchase from People Who are Blind or Severely Disabled, central supply sources such as stock programs at the GSA, mandatory Federal Supply Schedules, optional use Federal Supply Schedules, and commercial sources. Preferred sources do not have to be used for items less than \$100, or for items between \$100 and \$5,000 with a written justification.

We reviewed purchase card statements and related invoices to identify purchases exceeding \$100. We then determined whether the item purchased was available in the GSA catalog. We also determined whether the files contained a written justification for not using a priority source.

Cardholders made 239 purchases, totaling \$128,222 (approximately 5 percent of the total purchase card transactions) from commercial vendors that should have been purchased through Government supply sources. These purchases consisted mostly of copier paper and printer cartridges, but also included other office supplies such as file folders, pens and markers, envelopes, and address labels.

When we reviewed the files available in the Acquisitions Management and Finance Branches we found that they did not contain written justifications for the purchases. We then

requested documentation from the 49 purchase card holders who completed the transactions. We received responses from 46 purchase card holders, and all but one responded that they could not provide the requested documentation.

Because of the lack of a written justification, we cannot determine if it was appropriate for the cardholder to use a non-priority source. We can, however, compare the cost of the items purchased to the cost of the items that was listed in the GSA catalog. As indicted in the below table, overall there would have been a cost savings by using the priority source identified in the GSA catalog:

<b>Item Category</b>	<b>Purchased Amount</b>	<b>GSA total</b>	<b>Difference</b>
Printer Cartridge	\$38,830.38	\$38,507.88	\$322.50
Paper	\$63,688.23	\$62,830.48	\$857.75
Envelopes	\$2,072.32	\$855.37	\$1,216.95
Folders	\$11,647.48	\$9,544.03	\$2,103.46
Staplers/Punchers	\$919.80	\$641.43	\$278.37
Rolling Bags	\$2,817.31	\$2,937.04	(\$119.73)
Tape	\$694.54	\$394.56	\$299.98
Markers/Pens	\$1,931.07	\$1,448.64	\$482.43
Address Labels	\$1,717.64	\$1,338.70	\$378.94
Other	\$3,903.41	\$3,963.44	\$(60.00)
<b>Total</b>	<b>\$128,222.19</b>	<b>\$122,461.57</b>	<b>\$5,760.62</b>

On April 15, 2011, the Agency issued Administrative Bulletin AB 11-08, Mandatory Sources for Office Supplies, which states that GSA issued blanket purchase agreements for office supplies under the Federal Strategic Sourcing Initiative. This bulletin notes that in addition to getting discount prices, use of blanket purchase agreements qualifies as purchasing from mandatory sources. On July 21, 2011, the Acquisitions Management Branch sent an e-mail message to cardholders and Approving Officials informing them that if a cardholder chooses not to use this initiative, the specific reasons must be documented in writing and approved by the Approving Official.

## **Sales Tax**

Appendix B states that the Federal Government is not liable to pay taxes to state and local governments, and any such taxes paid must be recovered by the Agency. Also, NLRB policy states that the cardholder is responsible to inform merchants of the NLRB's exemption status on any purchases made by a Citibank purchase card.

In FY 2010, the NLRB had 115 sales tax transactions totaling \$1,796.07. The Agency recovered the sales tax for five of these transactions, totaling \$78.

## **Recommendations**

We recommend that the Acquisitions Management Branch Chief:

3. Review the NLRB Guide to determine whether placing limits on items that cardholders are authorized to purchase meets the Agency's operating needs.
4. Request that the purchase card holders attempt to obtain refunds of sales taxes paid.

Note: Recommendations 1 and 2 address the development and implementation of written procedures to review purchase card use for improper transactions.

## **FULL UTILIZATION**

Federal Acquisition Regulation states that Government-wide commercial purchase cards shall be the preferred method to purchase and pay for micro-purchases. To determine whether there were opportunities for purchase card use that were not being utilized, we reviewed purchase activity under the micro-purchase threshold related to offices other than the Acquisitions Management Branch that were paid through the payment voucher process, as opposed to using the purchase card.

We found that, generally, cardholders made full use of purchase cards. We did find, however, that the purchase

card could be more fully utilized for purchases of translation services. We identified 258 transactions for those services, totaling \$110,051, that were paid through the payment voucher process to vendors that accepted purchase cards.

An important benefit of the purchase card program is that it lowers the administrative burden to process transactions. By more fully utilizing the card, the Agency could increase its operating efficiency.

## **REBATES**

The NLRB receives a quarterly rebate from Citibank that is based on the net Agency's charge volume. We reviewed these rebates to determine whether the rebates were recorded accurately and timely in the Agency's financial management system and supported by documentary evidence.

The Agency received quarterly payments totaling \$27,808 in FY 2010. These amounts were recorded accurately in a timely manner.

## **CONTROL OVER ITEMS PURCHASED**

Appendix B states that for property acquired with a purchase card, Agencies must have reasonable, effective internal controls so that use of the property is limited to official purposes.

We identified one cardholder who used the purchase card to buy equipment that cost \$19,316. The equipment was related to the cardholder's official duties and generally consisted of cameras and other electronics items. We believe that this type of equipment has a high inherent risk for loss because it can be easily converted for personal use or stolen.

Because the cardholder did not maintain inventory control records for the items, we selected a sample and performed physical inventory. On the day of inventory, we could not account for 9 of the 62 items in our sample. When questioned about the missing equipment, the cardholder stated that three of the items were at home and that two of

the items were taken home for personal use. For the other six items, the cardholder could not provide information regarding the equipments' location. At a later date, the cardholder was able to account for the missing equipment. We verified that the missing items had been found and the items that had been taken home by the purchase card holder had in fact been returned.

We also observed that some of the equipment was purchased for a one-time use and then stored. Storing equipment that could be used by other parts of the Agency is not the best use of resources and could be considered wasteful.

We were unable to find Agency guidance for purchase card holders addressing the inventory or other controls of non-consumable property. While we expect all Agency employees to know that it is improper to take Agency property home for personal use, the lack of guidance on inventory control and disposition of items purchased with the purchase card may have contributed to this situation.

## **Recommendation**

We recommend that the Acquisitions Management Branch Chief:

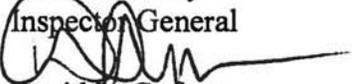
5. Coordinate with the Facilities and Property Branch to provide guidance to purchase card holders related to maintaining records for and disposition of non-consumable property purchases.

## **APPENDIX**

**UNITED STATES GOVERNMENT**  
**National Labor Relations Board**  
**Division of Administration**  
Memorandum



TO: David P. Berry  
Inspector General

FROM:   
David L. Graham  
Chief, Acquisitions Management Branch

DATE: September 12, 2011

SUBJECT: Response to Draft Audit Report – Purchase Card (OIG AMR-654)

Attached is Acquisitions Management Branch's response to the above-referenced draft audit report, dated August 8, 2011, and received August 15, 2011. The report contains a narrative and five basic recommendations that are addressed in this response. The intent of this document is to clarify facts and provide explanations of statements within the report.

It should be noted that the Acquisitions Management Branch (AMB) was first created in the summer of 2009 in order to provide greater focus to the agency's acquisitions function. The function, at that time, was handled by the Procurement and Facilities Branch (PFB). Once AMB was established, PFB was renamed the Facilities and Property Branch (FPB). The Purchase Card Program (program) remained with FPB until it was transferred to the newly-formed AMB in November 2009.

When the program was transferred to AMB, it was apparent that there were immediate issues that needed addressing. Records of cardholders and approving officials were not up to date; many cardholders held purchasing authority exceeding the legal limits; participants in the program were uninformed and using the card improperly, among other problems. AMB undertook to improve the program with existing staff who were also focused on correcting problems associated with the procurement operation, which is why AMB was created. Since AMB assumed oversight of the purchase card program, improvements have been made.

Our comments with respect to the findings of the report are as follows:

Page 7 of the report illustrates the number of cardholders and approving officials who did not properly submit their purchase card statements, which were either unsigned or signed by other than the designated approving official. We acknowledge the finding. These statistics represent a review of over 845 statements. Unfortunately, AMB has never had the resources available to review all statements as the OIG did but has recently received authorization to hire additional staff, which will supplement the resources AMB can devote to oversight of the Purchase Card Program.

Page 8 of the report addresses the Training Program. The report states that 7 of 52 approving officials (13%) and 1 of 97 cardholders were found to have no record of training. These numbers are inconsistent with AMB's records. We have no record of any cardholders or approving officials who have not been properly trained. In fact, it is our procedure to require that all cardholders and approving officials provide a copy of a certificate of training before any purchase card applications are processed with Citibank or before any approving officials are added to the roster. We continue to require proof of training and supplement GSA training with in-house training so that all cardholders and approving officials meet the training requirements. Most NLRB cardholders and approving officials have more training than is required by regulation.

On page 9, the report states that 16 transactions were made by two purchase cardholders over the \$3,000 limit without additional procurement authority. One of the first actions taken by AMB was to reduce the limits of all purchase cards to \$3,000, with the exception being warranted contracting officers. We believe that this finding was documented very early in the audit process. We have confirmed that only cardholders with warrant authority above \$3,000 have purchase card authority over the \$3,000 threshold.

On page 10 of the report, it charges that the procedures for identifying split purchases have not been fully implemented. The same paragraph states that the agency's Purchase Card Management Plan identifies procedures to review activity for questionable transactions for purchase card misuse. We disagree with the observation that the procedures were not implemented. We have addressed the issue of split orders during training sessions and directly with staff during monitoring of purchase card transactions. AMB employs checklists that are used to monitor purchase card transactions and lists split purchases among other examples of misuse.

Furthermore, on page 10, the report addresses purchases made by cardholders that were outside their authorized purchase categories, such as training by other than the Office of Employee Development, books and subscriptions by other than Library Services, furniture by other than the Facilities and Property Branch, repair services, and transportation costs. This subject was amply addressed in the purchase card training provided in-house to all cardholders and approving officials. However, in light of the report's findings, AMB will take additional steps to prevent unauthorized use of the purchase card and further identify those cardholders who purchase unauthorized goods

and services and provide this information to the appropriate officials, documenting misuse of the purchase card.

As noted in the report, AMB has taken steps to ensure that cardholders know they are required to use mandatory sources for purchases above \$100. This subject was also well-covered in the purchase card training. We will continue to monitor these transactions to ensure that mandatory sources are properly utilized and files are properly documented when commercial sources must be used in lieu of mandatory Government sources. We have documented savings with our use of the GSA Strategic Sourcing BPAs and will continue to enforce this requirement. Administrative Bulletin 11-08 was issued on the subject on April 15, 2011.

The report indicates that of 115 sales tax transactions, totaling \$1,796.07, only \$78 in sales taxes has been recovered. This requirement was also covered in the purchase card training and is being monitored on a regular basis. We will continue to communicate this requirement to cardholders and approving officials and make our best effort to recover sales taxes paid.

In your memo, you requested that we indicate our agreement or disagreement with each of the report's findings and recommendations. We acknowledge the recommendations made in the draft report and plan to comply fully as resources allow. Our comments regarding the report's recommendations are as follows:

**Recommendation #1 – Amend the Management Plan to include all items required by Appendix B.**

The draft report (report) states that the Purchase Card Management Plan (plan) addresses all but two of the required elements in OMB Circular A-123, Appendix B. The first element is an explanation of how available reports and data would be used to monitor delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues. The plan did state in general terms that on-line reports from Citibank were reviewed to identify and investigate potential cases of misuse and fraud. In addition, it was communicated to the OIG during the review, and is documented in the draft report, that the Citibank reports were being used to monitor the performance of cardholders and approving officials. This information was submitted in response to questions on how monitoring was being addressed.

AMB will amend the Management Plan to address in more specificity and detail how the reports are used. This amendment will be included in the next submission to OMB.

**Recommendation #2 – Implement the policies and procedures outlined in an amended Management Plan:**

This recommendation was described in the review as: "The Management Plan also did not include a description of how the Agency will ensure the ongoing effectiveness of the actions related to evaluating the effectiveness of training, refund management controls, and tax recovery efforts."

A description of how the effectiveness of the plan will be evaluated and measured will be included in the amended version of the plan.

**Recommendation #3 – Review the NLRB Guide to determine whether placing limits on items that cardholders are authorized to purchase meets the Agency’s operating needs.**

AMB acknowledges this recommendation and will accommodate it to the best of its ability.

**Recommendation #4 – Request that the purchase cardholders attempt to obtain refunds of sales tax paid:**

AMB acknowledges this recommendation and will make every effort to identify and recover sales taxes improperly paid by cardholders.

Under recommendations 3 and 4, the report states: “Recommendations 1 and 2 address the development and implementation of written procedures to review purchase card use for improper transactions.” The purchase card handbook of procedures has been drafted. AMB expects to have the handbook in place very soon, with a goal of full implementation in FY 2012. We have also placed information regarding the purchase card program requirements on the new AMB intranet page so that staff may refer to them at any time in the future.

**Recommendation #5 – Coordinate with the Facilities and Property Branch to provide guidance to purchase card holders related to maintaining records for and disposition of non-consumable property purchases:**

We disagree with this recommendation. Although AMB is committed to providing the best environment for the agency to prevent loss of property, our primary role is to ensure proper purchase of goods and services using the Government purchase card. Once the items are received, the responsibility belongs to the program office to ensure that purchased goods are properly used, maintained, and accounted for. We will be happy to share the information on this finding with our customers, but we should not be held responsible for accountability of property purchased for the program offices nor for keeping track of inventories of equipment

In conclusion, AMB has made vast improvements in the purchase card program since taking over its administration in late 2009 but has been limited in its oversight due to inadequate staffing. We continue to make progress in developing policies and procedures and will soon have more staff to meet the program requirements. We expect that the program management goals will be achieved in FY 2012.