

**PURCHASE CARD PROGRAM
REVIEW GUIDE**

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Purchase Card Program Review Guide

Background: The Department has recently completed an initial review of its Purchase Card Programs. This review covered 6 Department of Energy Locations including 4 Federal activities and 2 contractor activities (one SmartPay and one Non-SmartPay). On June 4, 2002, the Department provided a report on this review to the Office of Management and Budget detailing the results and establishing an action plan for strengthening controls over the use of purchase cards at Federal and contractor locations. A major component of the action plan is the completion of a Department-wide review of purchase card programs to provide a more comprehensive assessment of the overall efficiency and effectiveness of the programs and the adequacy of Departmental controls to detect and prevent waste, fraud and abuse.

Objective: The objective of this review is to provide a baseline assessment of purchase card programs department-wide. The review is designed to assess the adequacy of established internal controls; evaluate controls to determine if they are working effectively and efficiently; determine compliance with established guidelines; follow-up on weaknesses previously identified; and identify best practices and lessons learned for sharing throughout the Department.

Scope: The review will cover 12 Federal SmartPay programs and 21 contractor purchase card programs (13 SmartPay and 8 non-SmartPay). Each site review will consist of a general assessment of purchase card program controls and an evaluation of the effectiveness of various purchasing controls accomplished through a statistical sample of cardholders and statements. See Attachment 1 for sampling instructions. This review guide is not meant to be all-inclusive. Reviewers should exercise judgment and develop additional steps to test internal controls and procedures as deemed necessary to achieve review objectives.

Documentation: Documentation supporting the review effort including results, best practices identified, areas of needed improvement, conclusions reached, and recommendations made should be maintained on site and available. Documentation should be sufficient to withstand review by external auditors.

STEP 1: Identify and assess overall purchase card program controls in the areas identified below. Then answer the stated questions. Provide additional comments/explanations for all questions answered NO (unless otherwise stated) or where additional information may be necessary to convey the answer in a complete manner.

GENERAL PROGRAM CONTROLS

QUESTION	Y/N/n/a	EXPLANATION / COMMENTS
A. Prior Reviews and Audits – Review and evaluate the results of any prior reviews/audits of the Purchase Card Program.		
1. Were prior reviews and audits related to the purchase card program free of significant findings?		
2. Were effective corrective actions implemented to resolve findings?		
3. Are there any on-going or completed Inspector General investigations related to purchase card misuse? Provide general description of any alleged misuse and management actions taken over the last 24 months.		
B. Local Policies – Review Departmental and local policies governing the purchase card program.		
1. Have local policies been established for the purchase card program?		
2. Is the local policy comprehensive enough to cover all major control areas identified in this review guide?		
3. Were there any areas identified in the local policy where controls were less stringent than those required in the Departmental guidance? (If yes, provide details)		
C. Issuance and Cancellation of Cards		
1. Does the program coordinator have sole responsibility for the approval and issuance of cards?		

QUESTION	Y/N/n/a	EXPLANATION / COMMENTS
2. Are there controls/processes to limit and/or minimize the number of cardholders at the location?		
3. Are procedures in place to ensure cards are cancelled when cardholders no longer need them or when cardholders employment is terminated?		
4. Do local procedures require maintenance and periodic update of the inventory of approved cardholders?		
5. Is an accurate and up-to-date list of cardholders maintained at the site?		
D. Cardholder Delegations / Spending Limits)		
1. Have all cardholders with purchasing authority of \$2,500 or less been issued a written delegation of authority? (Fed Only)		
2. Have all cardholders with purchasing authority over \$2,500 been issued a written contracting officer's warrant (SF-1402)? (Fed Only)		
3. Are cardholder single purchase and monthly spending limits reviewed (initially and periodically thereafter) to ensure that they represent the minimum necessary to carryout Departmental missions? (Fed and Contractor)		
E. Training		
1. Do local procedures require that all cardholders be trained?		
2. Do local procedures require that approving officials be trained?		
3. Do local procedures require refresher training for cardholders and/or approving officials on a periodic basis?		
4. Have all cardholders and approving officials been trained according to DOE and local requirements?		

QUESTION	Y/N/n/a	EXPLANATION / COMMENTS
5. Are training records available and maintained in a central location?		
6. Are changes in policy communicated to approving officials and cardholders? How?		
F. Rebates		
1. Does the site have a purchase card rebate program?		
2. Are controls in place to ensure appropriate rebates for correct amounts are being received? What Controls?		
G. Segregation of Duties		
1. Do local procedures expressly require segregation of duties between data entry, reconciliation and document retention for purchases? 2. Do local procedures prohibit approving officials from authorizing their own purchase card transactions (where approving officials also have purchase cards)?		

PURCHASE CONTROLS

QUESTION	Y/N	EXPLANATION / COMMENTS
1. Has the purchase of certain commodities been centralized and, if so, has this list of commodities been made known to purchase cardholders?		
2. Do local procedures include a detailed list of prohibited purchases and unallowable items?		

3. Do local procedures include a listing of those items prohibited per Departmental guidelines?		

PROPERTY CONTROLS

QUESTION	Y/N	EXPLANATION / COMMENTS
1. Does local policy require that all purchased property be shipped to a central receiving locations or otherwise require independent receipt and acceptance of goods to ensure proper recording into property records?		
2. If property is not centrally received, what procedures have been established to ensure the proper recording of property?		
3. Are procedures in place to ensure that all property purchased with government funds (using the purchase card) is clearly marked as U.S. Government property?		
4. Are cardholders or Approving Officials required to maintain documentation to evidence receipt of property, proper tagging and recording into property records?		
5. Are Approving Officials required to review property documentation to ensure receipt and recording of purchased property into inventory records?		

APPROVAL CONTROLS

QUESTION	Y/N	EXPLANATION / COMMENTS
1. Do local procedures limit the number of cardholders that a single approving official can be responsible for?		

2. Does the ratio of cardholders allow for adequate approval of all statements?		
3. Do local procedures require independent certification of purchase card statements?		
4. Do local procedures identify processes for resolving charges disputed or questioned by the cardholder, approving official and payment/finance office?		

STEP 2: Perform a review of purchase card transactions for each cardholder identified in the sample provided by Headquarters. This review should be conducted in accordance with the “Sampling Instructions” in Attachment #1 and the “Cardholder Review and Worksheet Instructions” in Attachment #2. **A separate “Cardholder Summary Sheet” should be completed for each cardholder in the sample. In addition, a Statement Review Worksheet should be prepared for each monthly statement reviewed.** Sample worksheets are include in attachment #2.

STEP 3: Complete “Site Review Summary Information” Spreadsheet contained in Attachment #3 of this guide. This spreadsheet summarizes individual cardholder results and is critical in performing post review projections.

STEP 4: Prepare a final report using the format provided in attachment #3 of this review guide. Submit report to Headquarters.

STEP 5: Upon completion of the review, management should:

- Obtain supporting documentation for any unsupported transactions that appear questionable
- Perform checks to ensure that property records appropriately include property purchased using purchase cards
- Take appropriate management action (training, administrative, disciplinary) for employees and approving officials who have misused the purchase card or otherwise not complied with established policies or guidelines.
- Refer any cases of suspected fraud to the Inspector General
- Ensure that policies and procedures are modified as necessary to compensate for identified control weaknesses
- Maintain continuous oversight of the purchase card program

SAMPLING INSTRUCTIONS

The Site selections, list of cardholders to be reviewed and months to be reviewed were all selected utilizing statistically valid random techniques.

- 1) Each purchase card site should contact the Office of Program Liaison and Financial Analysis for a list of cardholders to be reviewed. (Contact: Thomas Fisher at 301-903-2557 or 301-903-2551)
- 2) The February 2001 and September 2001 statements for each cardholder should be reviewed against the criteria in Attachment #2.
- 3) Each of the first 100 transactions on each statement should be reviewed.
- 4) If a cardholder has more than 100 transactions on a single statement, review each of the first 100 transactions. Then review every other transaction after the first 100, starting with transaction number 102.
- 5) Cardholder names should not be substituted.
- 6) If a cardholder no longer holds a valid purchase card, the cardholder's February and September 2001 statements should still be obtained and reviewed to the extent possible.

CARDHOLDER REVIEW & WORKSHEET INSTRUCTIONS

A Cardholder Summary Sheet should be prepared for each cardholder in the review sample. (NOTE: If a cardholder validly appears in the sample more than once, separate sheets should be prepared for each appearance.) In addition, a separate Statement Review Worksheet should be prepared for **February 2001** and **September 2001** purchase card statements respectively. Each transaction should be recorded on the worksheet and an “X” should be placed next to the transaction in the column corresponding to any identified problem area (See Sample Worksheet in this attachment – contact the Office of Program Liaison (Thomas Fisher 301-903-2557) for the required Excel spreadsheet file for recording results). A cardholder summary sheet should be prepared even if the cardholder had no transactions during a particular statement period. The Summary Sheet and Statement Review Sheets for each cardholder should be kept together for future validation.

Use the criteria below to assist in identifying problems (per the Statement Review Sheet) and include a detailed description of the problem in the “Description or Problem” field. Be as specific and precise as possible in describing identified problems. See attached sample worksheet for an example of minimum required information.

Prior Authorization (A):

☞☞ Where required, was prior authorization received for each transaction? (X if no) Explain what type of authorization was not obtained.

Supporting Documents (B):

☞☞ Does the cardholder have adequate documentation to support the transaction including receipts and other documents? (X if no) Specifically state what documentation was missing.

Competition (C):

☞☞ If over \$2,500, was the purchase properly competed or otherwise awarded against existing contractual agreements? (X if no)

☞☞ If a recurring purchase under \$2,500, have vendors been rotated where practicable? (X if no)

Spending Limits (D):

☞☞ Was the purchase within the Cardholder’s Single and Monthly purchase authorities? (X if no) Explain which limit(s) was exceeded and by how much.

Tax Exempt (E):

☞☞ Did the final purchase price include any inappropriate Federal or State taxes? (X if yes) Identify item(s) purchased and the amount of and type of taxes paid.

Split Transactions (F):

☞☞ Does any group of (seemingly) similar and/or related purchases appear to have been split into multiple transactions to avoid competition or to avoid exceeding the cardholder's single purchase limit? (X if yes) Provide specific details and identify the related transactions.

Purchase of Prohibited Item (G):

☞☞ Was the purchase for any item prohibited under Departmental or local guidelines? (See Attachment #4 for list of Departmental prohibited items/services) (X if yes) Identify item(s) purchased, and note disciplinary action taken for cardholder and approving official if item was approved.

Property Controls (H):

☞☞ Was purchased property tagged, included in property records, and labeled as Government property as appropriate? (X if no)

Other Questionable Expenditure (I): Identify any other issues related to the specific transaction including potential fraud, abuse, misuse, improper expenditure, etc. (X if other problem identified) Provide details of issue in comments section and identify proposed or completed followup action.

☞☞ Does cost appear excessive for item/service acquired? (X if yes)

☞☞ Is the purchase for an item that is generally centrally managed and procured? (See attachment #4 for a list of centrally managed and procured items) (X if yes)

☞☞ Is the purchase for an item that should be purchased from a required source (e.g. JWOD, GSA, etc) (X if yes)

☞☞ Is there a questionable need for the item? (X if yes)

☞☞ Other problems identified during review? (X if yes)

CARDHOLDER SUMMARY SHEET

Cardholder Information

Cardholder Name: John DOE

Location: DOE HQ

Spending Limit: \$250K Monthly / 25,000 Single Purch.
(Monthly/Single Purchase/other)

Delegation or warrant Issued based on single purchase limit? (Federal Cardholders Only)

Delegation (\$2,500 or less - Y/N/na) na / Warrant (Over \$2,500 - Y/N): Y

Has Cardholder Been Trained? (Y/N) Y

Training Date: (Mo./Yr.) 4/2002

Approving Official Name: I.M. Important

Cardholder Statement Review Findings

Please provide a brief synopsis of all review findings for the cardholder based on the review of their purchase card statements and transactions. Specifically note whether any management actions (training, disciplinary, administrative) were taken due to failure to follow procedures or misuse of the purchase card.

STATEMENT REVIEW WORKSHEET

Date: 8/6/02

Cardholder Name: John Doe

Statement: (Mo./Yr.) Sept 2001

of Transactions: 11

Avg. Trans. Amt.: \$4,277.27

Statement Approved by AO: (Y/N) "NO"

Transaction #	Transaction Amount	Date	A Prior Authorization	B Supporting Documents	C Competition	D Spending Limit	E Tax Exempt	F Split Transaction	G Prohibited Item	H Property	I Other Questionable Expenditure	Description of Problem
Ex.												
1	2,400.00	6/5/01						X				Purchased 3 computer monitors @ \$800 each from "The Computer Store". Transaction appears to have been split to avoid competition. Related to Number 2 & 3.
2	2,400.00	6/5/01										Same as #1
3	2,400.00	6/6/01										Same as #1
4	7,000.00	6/12/01			X							Purchase of Video Conferencing Equipment not competed.
5	525.00	6/15/01					X					Purchase included \$25 (5%) state tax. Item: Scanner
6	1,000.00	6/17/01		X								Receipt for purchase of laser printer not available.
7	75.00	6/18/01							X			Purchased food and beverages (donuts, coffee, deserts) for staff meeting. Cardholder suspended pending retraining. Approving Official Suspended indefinitely.
8	28,000.00	6/20/01				X						Purchase of 7 network servers (@ \$4,000 each) exceeds cardholder single purchase limit by \$3,000.
9	2,000.00	6/25/01									X	Purchase of 40 Dayplanner binders @ \$50 ea. from Officestuff.com. Item should be purchased through JWOD. Cardholder and AO to be re-trained.
10	500.00	6/26/01	X	X						X		Purchased 2 Palm Pilots that could not be accounted for via required loading dock record. PalmPilot.com No prior authorization (purchase request) for purchase.
11	750.00	6/27/01										No Problems
Totals	47,050.00		1	2	1	1	1	1	1	1	1	

FORMAT FOR REPORTING

Please prepare final reports for each site using the format below

**PURCHASE CARD REVIEW
ABC CONTRACTOR (or XYZ OPERATIONS OFFICE)
July 25, 2002**

- I. Background: Please provide a brief discussion of the site’s purchase card program and fill in the chart below. Background may include information such as...
- a. How long has the program been in place,
 - b. Who is responsible for oversight of the program
 - c. What types of on-going oversight activities are performed
 - d. What contractor/bank issues the credit cards
 - e. Any other information that would help an outside user understand the program

Item	Data	Comments
Number of Purchase Cardholders as of (Provide Date of Latest Cardholder information)		
Number of Cardholders with More than One Card		
Number of Cardholders in Sample		
Number of Approving Officials (AO)		
Average Number of Cardholders for each AO		
Highest number of cardholders for any one AO		
Total <u>number</u> of purchases made using the purchase card in FY 2001		
Total site purchases (transactions) made using all purchase methods in FY 2001		
Total <u>dollars</u> of purchases made using purchase cards during FY 2001		
Total site purchases (dollars) made using all purchase methods in FY 2001		
Total Number of Transactions Reviewed		
Total Dollar Value of Transactions Reviewed		

- II. Objective: Same as that provided in review guide.

- III. Scope: Must include description of how sample of cardholders was selected for review, number of cardholders reviewed, time period reviewed, total number of purchases reviewed and total dollar amount of purchases reviewed.
- IV. Summary Results (Please provide a brief overview of the results, key findings and recommendations, best practices and other executive level information from the review)
- V. Results: (Please provide findings and recommendations for each control area)
 - a. General Controls
 - b. Purchase Controls
 - c. Property Controls
 - d. Approval Controls
 - e. Best Practices & Lessons Learned
- VI. Conclusions
- VII. Recommendations

Attachments

- 1) Site Review Summary Spreadsheet

In accordance with Departmental guidelines, DOE Purchase Card acquisitions are subject to the following restrictions and prohibitions. Check local policies for additional prohibited and centrally procured items at each site.

The following are prohibited uses of the DOE Purchase Card:

- a. Cash advances.
- b. Long Term Rental or lease of land or buildings.
- c. Purchase of ADP software requiring a negotiated license agreement between DOE and the contractor (excludes "shrink wrap" license affixed to commercially available software).
- d. Purchases of food, beverages and other entertainment except incentive award gatherings.
- e. The DOE Purchase Card will not be used in lieu of the Government authorized travel charge card.

Generally, the following items are generally centrally managed and procured:

Messenger services and package delivery services;
Office supplies and paper;
Lease or purchase of Government vehicles;
Building alterations;
Office moves;
Carpet installation and repair;
Shuttle bus service;
Printing jobs;
Photocopier equipment; and,
Books, publications, subscriptions, etc.