

memorandum

DATE: November 17, 2005
REPL TO
ATTN OF: IG-40
SUBJECT: Inspection Report on "Bonneville Power Administration Purchase Card Transaction Review,"
(INS-L-06-01; S05IS021)
TO: Director, Office of Internal Review (CF-1.2)

Attached is the subject report. Management concurred with and proposed actions for the recommendations in the report. Therefore, a Management Decision is not required. However, Recommendations 1, 2 and 3 remain open and should be tracked in the Department's Audit Report Tracking System until all corrective actions are completed.

We appreciate your cooperation in this matter.


Alfred K. Walter
Assistant Inspector General
for Inspections and Special Inquiries

Attachment

memorandum

DATE: November 16, 2005

REPLY TO:
ATTN OF: IG-40

SUBJECT: Letter Report on "Purchase Card Transactions at the Bonneville Power Administration,"
Report No. ENS-L-06-01

TO: Administrator, Bonneville Power Administration

This Letter Report provides the results of an Office of Inspector General (OIG) inspection of purchase card transactions at the Bonneville Power Administration (BPA). The OIG has issued several reports concerning purchase card transactions by Department of Energy (DOE) and contractor personnel. Most recently, the OIG issued an audit report entitled "The Department's Federal Purchase Card Program at Headquarters," DOE/IG-0675, dated February 2005, which found that the Headquarters purchase card program was not always administered effectively.

BACKGROUND

The OIG established a Purchase Card Task Force to review purchase card transactions under the General Service Administration's (GSA's) SmartPay program. SmartPay allows DOE and contractor employees to make micro-purchases using Government issued credit cards. The objective of the Task Force is to identify fraudulent or questionable purchases made by cardholders using Government purchase cards. As part of this proactive Task Force initiative, we conducted a review of BPA purchase card transactions reported by Citibank for Fiscal Year 2004. The BPA purchase cards were issued by Citibank, which processed the purchase card transactions. We identified 83 potentially questionable transactions made by BPA cardholders using Government purchase cards. The policy and procedures for BPA's purchase card program are contained in BPA's "Purchase Card Policy Manual." The objective of our review was to determine the adequacy of internal controls at BPA over purchase card purchases.

RESULTS OF INSPECTION

The BPA purchase card program appeared well managed, and our review did not disclose any widespread problems; however, we determined that internal controls over BPA's purchase card program could be improved. For example, we found one cardholder split a \$5,452 transaction into two transactions to circumvent the cardholder's \$5,000 single purchase limit, which violated BPA purchase card guidelines. We also identified several instances when vendors split transactions that exceeded the cardholder's single purchase limits without the cardholder's knowledge or permission. Of the 83 questionable transactions, we determined that 5 involved items that should not be procured using a

purchase card. However, during our field work we learned that BPA officials had taken corrective action regarding these purchases.

Finally, we observed opportunities for BPA to enhance the effectiveness and efficiency of its purchase card program. We also observed an opportunity for BPA to improve accountability for gift cards purchased using purchase cards. Specifically:

- The number of purchase cardholders assigned to Approving Officials exceeded GSA best practices. "A Guide to Best Practices for Purchase and Travel Charge Card Program Management," issued by GSA, recommends that the ratio of Approving Officials to cardholders should not be more than one Approving Official to every seven cardholders. However, we identified one Approving Official with responsibility for approximately 85 cardholders, another with responsibility for approximately 50 cardholders, and a third with responsibility for approximately 30 cardholders. We noted that BPA does not allow Approving Officials to re-delegate their approval authority. Accordingly, these Approving Officials were unable to reduce their workload or have someone else perform these functions when they are unavailable. Although the Approving Officials appeared to be properly managing their programs, assigning a large number of cardholders to one Approving Official was contrary to the GSA best practices, and could lead to purchases not receiving the necessary scrutiny.
- The use of convenience checks should be limited. A responsible DOE official stated that DOE prefers the use of Treasury checks, third party drafts, and electronic funds transfers to avoid excessive fees for convenience checks. The "Blueprint for Success: Purchase Card Oversight," issued by GSA, states that the number of convenience checks should be kept to a minimum due to the cost. However, we identified one cardholder who frequently utilized convenience checks instead of other payment methods, such as Treasury checks and electronic funds transfers. For example, the cardholder used convenience checks to pay landowners for property use or crop damages related to BPA activities. The cardholder's fees for using convenience checks for Fiscal Year 2004 totaled over \$6,700.
- Accountability for gift cards purchased with purchase cards could be improved. Of the 30 purchase cardholders we interviewed, 18 had the authority to make employee recognition purchases, such as gift cards. While some of these cardholders kept a record of who received gift cards, we found that others did not. We believe that the lack of accurate records regarding the recipients of gift cards could have resulted in abuses of the employee recognition program. For example, in one instance a cardholder acknowledged purchasing over \$10,000 in gift cards at the end of the year to prevent loss of recognition program funds. However, in the absence of a centralized record keeping system for gift card purchases, the only record of the gift cards was a personal log kept by the cardholder. The accountability for gift cards was not within the scope of our review. Therefore, we did not verify that the gift cards were appropriately disseminated. We were advised by BPA officials that accountability and dissemination of gift cards is the responsibility of the BPA Office of Human Resources.

We recommend that the Administrator, Bonneville Power Administration:

1. Review the circumstances surrounding the split purchase and take appropriate corrective action;
2. As a part of BPA's continuous review and improvement process, evaluate opportunities identified in this report for enhancing the BPA purchase card program, and implement changes as appropriate; and
3. Improve accountability for gift cards purchased using purchase cards, and ensure gift cards are appropriately disseminated.

In response to our draft report, BPA concurred with our recommendations and indicated that they have initiated corrective actions.

This inspection was conducted in accordance with the "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency. We appreciate the cooperation we received from the BPA staff during this inspection. If you have any questions concerning this review, please contact Mr. Raymond Rayner or me at (202) 586-4109.



Alfred K. Walter
Assistant Inspector General
for Inspections and Special Inquiries

cc: Chief of Staff
Audit Liaison, Bonneville Power Administration
Director, Office of Internal Review (CF-1.2)