



U.S. Department of Energy
Office of Inspector General
Office of Inspections and Special Inquiries

Inspection Report

Sandia National Laboratory-California Procurement Card Program

DOE/IG-0754

January 2007



Department of Energy
Washington, DC 20585

January 18, 2007

MEMORANDUM FOR THE SECRETARY

FROM:


Gregory H. Friedman
Inspector General

SUBJECT:

INFORMATION: Inspection Report on "Sandia National
Laboratory-California Procurement Card Program"

BACKGROUND

The mission of the Department of Energy's Sandia National Laboratory-California (Sandia-CA) includes applying advanced science and engineering to support the United States' deterrence policy by ensuring the nuclear weapons stockpile is safe, reducing the proliferation of weapons of mass destruction, and enhancing the surety of energy. Sandia-CA employs about 900 people and procures more than \$40 million in goods and services annually. One of the procurement methods available to Sandia-CA personnel is the Procurement Card Program. This Program was established to simplify the purchase of low value, commercially available goods and services without going through a more protracted and costly competitive process. There are about 400 procurement card holders at Sandia-CA, with most limited to a spending authority of no more than \$5,000 per transaction and \$25,000 per month. However, some employees in the Sandia-CA Procurement Department have been authorized to spend as much as \$250,000 to \$1 million per monthly billing cycle.

Given the wide-spread use of procurement cards throughout the Department and the potential for abuse, the Office of Inspector General has established a proactive initiative to review procurement card programs at Department facilities. As part of this initiative, we reviewed the Procurement Card Program at Sandia-CA. The objective of this inspection was to determine whether Sandia-CA's internal controls ensured that purchases made using procurement cards were in accordance with applicable policies and procedures. Our inspection methodology included reviewing all of Sandia-CA's procurement card transactions for January through November 2005. There were 21,568 transactions valued at \$12.7 million.

RESULTS OF INSPECTION

We concluded that Sandia-CA's internal controls did not ensure that purchases made using procurement cards were in accordance with applicable policies and procedures. Specifically, we found that:

- Internal controls established to prevent waste or abuse were not adhered to in many instances. Sandia-CA managers approved 571 transactions valued at \$272,009 that lacked the required description of the items procured. Further, Sandia-CA employees purchased "restricted items" without obtaining the required advance permission, and



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these purchases were subsequently approved by Sandia-CA managers without that permission.

- Sandia-CA employees and visitors may have inappropriately benefited from purchases of items of questionable allowability amounting to \$102,277. This included 218 purchases of catered meals amounting to \$89,649 and 56 purchases totaling \$12,628 for items such as massagers, water bottles, and “coins.”
- Approximately 44 percent of Sandia-CA employees had been issued procurement cards. We do not believe this is consistent with guidance pertaining to procurement card internal controls, which calls for the number of procurement card users to be limited to the minimum necessary to carry out activity missions.

Although the number of problem transactions we identified was relatively small when compared to the total number of items purchased during the sampled timeframe, we believe actions can readily be taken to enhance Sandia-CA’s Procurement Card Program and, thus, decrease the future risk of waste or abuse. Therefore, we made several recommendations to management designed to enhance the procurement card process.

MANAGEMENT REACTION

In responding to a draft of this report, management concurred with our recommendations and identified corrective actions that have been or will be taken to address them. We found management’s comments to be responsive to our findings and recommendations.

Attachment

cc: Deputy Secretary
Administrator, National Nuclear Security Administration
Under Secretary of Energy
Under Secretary of Science
Chief of Staff
Manager, Sandia Site Office
Director, Policy and Internal Controls Management (NA-66)
Director, Office of Internal Review (CF-1.2)
Audit Liaison, Sandia Site Office

SANDIA NATIONAL LABORATORY-CALIFORNIA PROCUREMENT CARD PROGRAM

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Overview

INTRODUCTION AND OBJECTIVE

The mission of the Department of Energy's (DOE's) Sandia National Laboratory-California (Sandia-CA) includes applying advanced science and engineering to support the United States' deterrence policy by ensuring the nuclear weapons stockpile is safe, reducing the proliferation of weapons of mass destruction, and enhancing the surety of energy. Sandia-CA is managed by Lockheed Martin Corporation for the National Nuclear Security Administration (NNSA). Sandia-CA employs about 900 people.

In support of its mission, Sandia-CA procures more than \$40 million in goods and services annually. Employees at Sandia-CA have several procurement methods available to them, to include the Procurement Card Program. This Program was established to simplify the procurement of low value, commercially available goods and services without going through a more protracted and costly competitive procurement process. Sandia-CA's procurement card activities are administered by the Sandia National Laboratory-New Mexico (Sandia-NM) corporate organization. There are about 400 procurement card holders at Sandia-CA, with most limited to a spending authority of no more than \$5,000 per transaction and \$25,000 per month. However, some employees in the Sandia-CA Procurement Department have been authorized by Sandia management to spend as much as \$250,000 to \$1 million per monthly billing cycle.

Given the wide-spread use of procurement cards throughout the Department and the potential for abuse, the Office of Inspector General (OIG) has established a proactive initiative to review procurement card programs at Department facilities. Appendix C contains a partial listing of prior OIG reports related to procurement card reviews. As part of the OIG initiative, we reviewed the Procurement Card Program at Sandia-CA. The objective of this inspection was to determine whether Sandia-CA's internal controls ensured that purchases made using procurement cards were in accordance with applicable policies and procedures. Our inspection methodology included reviewing all of Sandia-CA's procurement card transactions for January through November 2005. There were 21,568 transactions valued at \$12.7 million.

OBSERVATIONS AND CONCLUSIONS

We concluded that Sandia-CA's internal controls did not ensure that purchases made using procurement cards were in accordance with applicable policies and procedures. Specifically, we found that:

- Internal controls established to prevent waste or abuse were not adhered to in many instances. Sandia-CA managers approved 571 transactions valued at \$272,009 that lacked the required description of the items procured. Further, Sandia-CA employees purchased "restricted items" without obtaining the required advance permission, and these purchases were subsequently approved by Sandia-CA managers without that permission.
- Sandia-CA employees and visitors may have inappropriately benefited from purchases of items of questionable allowability amounting to \$102,277. This included 218 purchases of catered meals amounting to \$89,649 and 56 purchases totaling \$12,628 for items such as massagers, water bottles, and "coins."
- Approximately 44 percent of Sandia-CA employees had been issued procurement cards. We do not believe this is consistent with guidance pertaining to procurement card internal controls, which calls for the number of procurement card users to be limited to the minimum necessary to carry out activity missions.

Although the number of problem transactions we identified was relatively small when compared to the total number of items purchased during the sampled timeframe, we believe actions can readily be taken to enhance Sandia-CA's Procurement Card Program and, thus, decrease the future risk of waste or abuse.

Details of Findings

INTERNAL CONTROLS NOT ENFORCED

We found that internal controls established to prevent waste or abuse were not adhered to in many instances. Specifically, Sandia-CA managers approved 571 transactions valued at \$272,009 that lacked the required description of the items procured. Further, Sandia-CA employees purchased “restricted items” without obtaining the required advance permission, and these purchases were subsequently approved by Sandia-CA managers without that permission.

Transaction Approval

A requirement of Government funded credit card programs is that approving officials must perform a monthly validation/reconciliation of their subordinates’ procurement card purchases. The purpose of the validation/reconciliation is to ensure that only authorized purchases are made, that the purchases are properly charged to the appropriate cost account, and that there is a business necessity associated with the item(s) procured.

We conducted a basic review of all 21,568 procurement card transactions made by Sandia-CA card holders during January through November 2005. Additionally, we performed data mining and judgmental sampling that focused on specific types of transactions.

We identified a total of 571 purchases valued at \$272,009 where the descriptions of the purchases were left blank, so it was not possible to identify the items purchased. Of those, one card user left 73 transaction descriptions blank amounting to \$63,933, while another card user left 133 descriptions blank amounting to \$60,810. We interviewed some of the procurement card users who failed to provide an item description. In one case, an employee told us he accidentally used his procurement card to buy items from an on-line adult novelty store, while another employee said he accidentally used his procurement card to purchase a personal meal at a restaurant. In both instances, the individuals’ supervisors approved the purchases despite the blank description field. Both employees had reimbursed Sandia-CA for the purchases prior to our interviews.

We also observed that there were many other procurement card purchases where the item description was so vague that it was uncertain how the managers knew what they were approving or what the business purpose of the item was. For example, we noted a \$280 purchase from an internet retailer described as “electronics” and a \$9,800 purchase from another internet retailer described as “software.”

After our fieldwork, a Sandia official told us that an automated message had been sent to all card holders who had not provided transaction description information for transactions since October 1, 2005, requiring them to do so and resubmit the transactions for re-approval by their managers. The same message also required managers to reject any future transactions that did not have description information.

Procurement of Restricted Items

Sandia's Procurement Card Manual contains a list of restricted items that employees are prohibited from purchasing without specific permission, yet some purchases were made and approved without this permission. Examples of some of the purchases of restricted items are shown in Table 1.

Cost	Restricted Items Purchased	Restricted Item Definition/Prohibition
\$ 140	Office Plant	Personal use
\$ 425	Massagers for gift bags	Gifts
\$ 500	Deposit for celebration	Food
\$ 1,013	Duffle bags for Admin. Symposium	Gifts
\$ 1,728	Projector	Projectors, greater than \$1,000
\$ 6,705	Hand held radios	Radios, regardless of cost
\$ 7,828	Camera and peripherals	Cameras greater than \$1,000
\$ 12,836	Tent, chair and linen rental	Tent rentals

Table 1

The Sandia Procurement Card Manual states that the intent of the Restricted Items List is to establish process controls to ensure compliance with corporate business rules, employee safety, national security, or protection of major assets. The Restricted Items List prohibits the use of a procurement card for certain types of items such as ammunition, cameras costing more than \$1,000, computers, food (excluding business meals), radios, tent rentals, and unallowable costs, unless a waiver is provided by Sandia-NM. Unallowable costs are defined as costs that have been determined to be unreasonable or unallocable to the cost account the item is charged to and can include costs associated with items prohibited by law or regulation. The Sandia Financial Manual states that unallowable costs cannot be charged to the DOE contract and must either be charged to the Lockheed Martin fee (corporate earnings) or paid by the employee (as a personal expense).

A “Sandia Procurement Center Work Guidance” document states that in special circumstances and with proper justification card holders can be given permission to purchase restricted items and that Sandia-NM Procurement Card Program officials will review each request and make a determination based on judgment as to the business necessity of such purchases. We interviewed 18 Sandia-CA card holders who had made purchases of items from the Restricted Items List. Only three people said that they had received permission from Sandia-NM to make restricted item purchases. The other individuals said they did not receive permission from Sandia-NM Procurement Card Program officials to make these purchases. Despite this lack of permission, these purchases were approved by their supervisors.

We determined that an August 2004 Government Accountability Office (GAO) report entitled “Sandia National Laboratories: Further Improvements Needed to Strengthen Controls Over the Purchase Card Program,” had a related finding that, although Sandia required purchases of restricted items to be pre-approved, Sandia did not require documentation of such approvals for the majority of the review period (2002-2003). Consequently, neither GAO nor Sandia could determine if that control was effective. We noted at the time of our review that Sandia still did not specifically require that permission to purchase a restricted item be in writing. In light of the continuing concerns we identified, we believe it would be beneficial for Sandia to require written permission for purchases of items on the Restricted Items List.

QUESTIONABLE PURCHASES

We found that Sandia-CA employees and visitors may have inappropriately benefited from purchases of items of questionable allowability amounting to \$102,277. This included 218 purchases of catered meals totaling \$89,649 and 56 purchases totaling \$12,628 for items such as massagers, water bottles, and “coins.”

Federal Policy for Meal Cost Reimbursement

Federal policy generally prohibits the use of Government funds to pay for meals and refreshments unless a person is on official travel, as these purchases are considered to be a personal subsistence expense. Specifically, the Comptroller General stated that there is a realization that many agency officials would like to approve the use of appropriations to pay for food and refreshments at Government sponsored meetings and conferences, including meetings to discuss internal operational and other day-to-day matters of agency business, and that the rationale for paying for such meals is to follow common business practices of the private sector. However, the Comptroller General also stated that an expenditure of public funds must be anchored in existing law, not

the practices and conventions of the private sector, and that Government funds are not available for the costs associated with meals because meals and other such expenses are considered personal in nature.¹ In other decisions, the Comptroller General has elaborated on the prohibition on using Government funds to pay for food by stating that, generally, appropriations are not available to provide food to employees at their duty stations.² In addition, the Comptroller General has specifically denied claims for reimbursement for subsistence expenses at employees' duty stations where the employees were escorting or participating in meetings with visiting officials³.

Meals

During the 11-month period of time covered by our inspection sample, 218 catered meals totaling \$89,649 were purchased using procurement cards. This was an average of nearly one meal per business day where food was provided through the use of procurement cards at a variety of events that included in-house team celebrations, new employee orientation, business meetings, and guest visits. The attendees benefiting from these catered meals included Federal and contractor employees, industry partners, guests, and retirees. A sample of the meal events paid for by procurement card is shown in Table 2.

Event	Cost
Catering for congressional visit	\$ 413
Homeland security meeting	\$ 575
NNSA conference	\$ 889
Sandia media event	\$ 2,278
Townhall meeting	\$ 3,803
Catering for anniversary reunion	\$ 4,542
Awards ceremony	\$ 5,690
Catering for anniversary symposium	\$ 10,988

Table 2

We determined that the Sandia Financial Manual allows for refreshments and business meals to be provided at Government expense only during a business meeting, subject to certain considerations regarding specific categories of recipients. Sandia has defined the following requirements for providing meals/refreshments at business meetings:

¹ Comptroller General Decisions B-288266 (2003) and B-235163.11 (1996); 65 Comp. Gen.16 (1985); 47 Comp. Gen. 657 (1968).

² 68 Comp. Gen. 604 (1989).

³ Comptroller General Decision B-247563.4 (1996).

-
- (1) “The meal/refreshment is integral to a meeting or business-related conference where business is carried on”; and,
 - (2) “Attendance at the meal is necessary to full participation, i.e., employees are not free to take meals elsewhere without missing essential formal discussions.”

However, we concluded that, given the Comptroller General decisions, even the provision of meals at Government expense during business meetings may be unallowable. Thus, we believe the DOE Sandia Contracting Officer should review (1) the Sandia meal policy for consistency with the Comptroller General Decisions and (2) Sandia-CA’s meal costs for allowability.

Gift/Souvenir Purchases

From our sample we also identified 56 procurement card transactions for gifts and souvenir items that were valued at \$12,628. In many instances, the procurement card users said that they were directed by their managers (who would be the procurement card users’ approving officials and would reconcile and authorize the procurement transactions) to procure these items. A sample of gift or souvenir items purchased during our sample period is shown in Table 3.

Item	Cost
Movie tickets	\$ 320
Blinking buttons with Sandia name	\$ 383
Coffee mugs	\$ 423
Glasses for anniversary symposium	\$ 582
Visors, water bottles, etc., for visitor program	\$ 837
Souvenir coins	\$ 1,423
Promotional souvenirs for Sandia	\$ 1,882
Sandia souvenir apparel	\$ 2,786

Table 3

Specific to the souvenir apparel, we were told that it consisted of shirts and other clothing items that had the Sandia logo embroidered on them and that they were purchased for resale. We were also told that the proceeds were supposed to be used to reimburse the Government. We reviewed a “Chargebacks Detail by Task/Chg” accounting document that indicated reimbursements had been deposited for the sale of at least some of the apparel.

We could find no authorization for Sandia-CA to spend Government funds on gifts or souvenirs, even if reimbursements were made. The Sandia Financial Manual states that “The cost of gifts is generally unallowable, regardless of amount,” and that gifts to non-employees are unallowable and must be purchased with Lockheed Martin fee money. Additionally, the Federal Acquisition Regulation⁴ states that unallowable public relations and advertising costs include the costs of corporate celebrations; promotional materials that are designed to call favorable attention to the contractor and its activities; and souvenirs, imprinted clothing, buttons, and other mementos provided to customers or the public.

NUMBER OF CARD HOLDERS

We found that approximately 44 percent of all Sandia-CA employees had been issued procurement cards. We do not believe this is consistent with guidance pertaining to procurement card internal controls. Departmental guidelines require that heads of contracting activities limit the number of procurement card users to the minimum necessary to carry out the activity’s missions. Additionally, a GAO Audit Guide states that the total number of card holders in an organization is one factor that should be considered in limiting the potential loss to the organization from fraudulent, improper, and abusive purchases. The Guide also states that by limiting the number of procurement cards and related limits to the levels necessary to meet operational requirements, an organization can better manage and control its procurement card program.

RECOMMENDATIONS

We recommend the Manager, Sandia Site Office:

1. Direct the Sandia Site Office Contracting Officer to make a cost allowability determination for the \$102,277 in questioned costs associated with purchases by Sandia-CA employees, and recover funds that are determined to be unallowable.
2. Direct the Sandia Site Office Contracting Officer to conduct a review of the Sandia Financial Manual meal policy to ensure that it is consistent with Comptroller General Decisions.
3. Direct Sandia-NM to conduct a review of the \$272,009 in procurement card transactions that lacked a description to ensure that an appropriate business necessity existed for these purchases, and recover funds that are determined to be unallowable.

⁴ Section 31.205-1 “Public relations and advertising costs.”

-
4. Ensure that Sandia-CA enforces the requirement that all purchases made with procurement cards contain a clearly stated description that would allow a determination of business necessity.
 5. Require that permission for Sandia-NM and Sandia-CA procurement card holders to purchase items from the Restricted Items List be in writing and be retained for an appropriate period of time.
 6. Consider requiring that Sandia-NM procurement card officials implement a data mining program at Sandia-CA regarding restricted items to ensure that such purchases are appropriately approved.
 7. Require that Sandia-CA reduce the number of procurement card holders to facilitate improved oversight of procurement card transactions.

**MANAGEMENT
COMMENTS**

In comments on a draft of this report, management concurred with the report recommendations and identified corrective actions that have been or will be taken to address them. Management's verbatim comments are included at Appendix B.

**INSPECTOR
COMMENTS**

We found management's comments to be responsive to our report recommendations.

Appendix A

SCOPE AND METHODOLOGY

The fieldwork for this inspection was conducted primarily between February and May 2006. As part of this inspection, we visited the Sandia-CA and Sandia-NM sites to interview NNSA and contractor officials. We also conducted interviews of procurement card users and examined documents and records at Sandia-CA and Sandia-NM. Our document review and analysis included:

- Sandia-CA procurement card transaction records for January through November 2005;
- Procurement card transaction invoices;
- 2005 Procurement Card Self-Assessment;
- Sandia Financial and Procurement Manuals;
- Sandia Procurement Center Work Guidance documentation;
- Decisions by the Comptroller General of the United States;
- Prior DOE Office of Inspector General reports;
- GAO documentation; and,
- The Federal Acquisition Regulation, 48 Code of Federal Regulations.

Also, pursuant to the Government Performance and Results Act of 1993, we examined performance measurement processes as they related to the Sandia-CA procurement card program.

This inspection was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency.

Appendix B

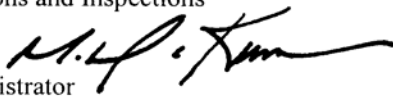


Department of Energy
National Nuclear Security Administration
Washington, DC 20585



January 4, 2007

MEMORANDUM FOR Christopher R. Sharpley
Deputy Inspector General
for Investigations and Inspections

FROM: Michael C. Kane 
Associate Administrator
for Management and Administration

SUBJECT: Comments to Draft Sandia California
Procurement Card Usage Report,
S06IS011/2006-02224

The National Nuclear Security Administration (NNSA) appreciates the opportunity to review the Inspector General's (IG) draft report, "Sandia National Laboratory-California Procurement Card Program." We understand that the IG conducted this inspection because, given the widespread use of procurement cards throughout the complex and the potential for abuse, the IG has a proactive initiative to review procurement card programs.

Sandia Corporation has made great progress to strengthen controls and processes in their Procurement Card program even though there are still areas in which Sandia needs to continue their efforts in working toward an efficient Procurement Card program. It is worth noting that corrective actions to address several recommendations are already in place or are being put into place.

I have attached specific comments to the recommendations. Should you have any questions related to this response, please contact Richard Speidel, Director, Policy and Internal Controls Management.

Attachment

cc: Patty Wagner, Manager, Sandia Site Office
David Boyd, Senior Procurement Executive
Karen Boardman, Director, Service Center



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Comments to
Inspector General Draft Inspection Report, S06IS011
“Sandia National Laboratory-California Procurement Card Program”

RECOMMENDATIONS

“We recommend that the Manager, Sandia Site Office:”

Recommendation 1

Direct the Sandia Site Office Contracting Officer to make a cost allowability determination for the \$102,277 in questioned costs associated with the purchases by Sandia-CA employees, and recover funds that are determined to be unallowable.

Management Comment

Concur

The Sandia Site Office (SSO) has requested that Sandia provide all detail data associated with the questioned purchases so that the SSO Contracting Officer may make a cost allowability determination. Any costs determined to be unallowable will be recovered. This action should be completed by February 2007.

Recommendation 2

Direct the Sandia Site Office Contracting Officer to conduct a review of the Sandia Financial Manual meal policy to ensure that it is consistent with Comptroller General Decisions.

Management Comment

Concur

Sandia’s Financial Manual meal policy has been reviewed by the SSO and aligns with current FAR and DEAR requirements. Sandia looks at each cost against the allowability criteria set forth in FAR 31.205. Specifically, the cost must be allocable to the contract, the cost must be reasonable in nature and the amount must not include unallowable costs such as alcohol. However, over the last few months and as a result of separate IG reports related to both travel and meals expense, the Site Office has been working with other NNSA site offices to draft policy which will further limit Management and Operating Contractors use of

NNSA funds for business meals. When NNSA issues its policy it will be provided to the Site Offices for implementation.

Recommendation 3

Direct Sandia-NM to conduct a review of the \$272,009 in procurement card transactions that lacked a description to ensure that an appropriate business necessity existed for these purchases, and recover funds that are determined to be unallowable.

Management Comment

Concur

The Site Office has requested that Sandia review the details of each procurement card transaction that lacked a description to ensure that a legitimate business necessity existed and that any questionable costs are identified. After Contracting Officer review of the information, any costs determined to be unallowable will be recovered. This action should be completed by March 2007.

Recommendation 4

Ensure that Sandia-CA enforce the requirement that all purchases made with procurement cards contain a clearly stated description that would allow a determination of business necessity.

Management Comment

Concur

Sandia P-Card Manager training, which was implemented in July 2006, specifically requires that a manager reject a transaction until a proper description is entered. The specific instances noted in the draft report occurred prior to the implementation of the training. Additionally, Sandia will implement laboratory wide controls to ensure that a clear description is being entered for every transaction. These controls include:

- For new actions; the manager approval function in the reconciliation system will be disabled until a description has been entered.
- For existing actions; the reconciliation program will be changed to send repeat notices to P-Card holders requesting them to enter a description regardless of the approval status of the reconciliation. This notice will continue until a new fiscal year is entered or until the P-Card holder enters the description.
- Semi-annually, the P-Card Program will run a report that will query P-Card holders that have submitted transactions to their manager for approval that

contain the default description. Offenders will be notified and a policy violation will be recorded on their record in accordance with Sandia's Procurement Manual, Section 6.1.9, Noncompliance. A third policy violation may result in the cancellation of the P-Card holder's account.

- Semi-annually, the P-Card Program Administrator will run a Single-Word-Description Report (i.e., book, tools, etc.) and will follow up with offenders to ensure adequate descriptions are entered. A policy violation will also be recorded. Implementation of these controls should be completed by March 31, 2007.

Recommendation 5

Require that permission of Sandia-NM and Sandia-CA procurement cardholders to purchase items from the Restricted Items List be in writing and be retained for an appropriate period of time.

Management Comment

Concur

Sandia has recently questioned the need for remote site exemptions. Currently Sandia intends to remove the remote site exemption from California and assess the need for remote site exemptions at other Sandia facilities. Such remote site exemptions pose some risk to the program and these risks need to be re-evaluated. In addition to removing California from the remote site exemption, Sandia is in the process of modifying their practices to require a written exemption for the purchase of restricted items that can be placed in an electronic file repository in order to create a verifiable process for exemptions. This action should be completed by March 31, 2007.

Recommendation 6

Consider requiring that Sandia-NM procurement card officials implement a data mining program at Sandia-CA regarding restricted items to ensure that such purchases are appropriately approved.

Management Comment

Concur

Sandia currently maintains a data mining tool that allows mining for many items including restricted items. In July 2006, Sandia extended their monthly Waste Fraud and Abuse Review to include a separate review of California P-Card transactions for additional scrutiny. This action is considered completed.

Recommendation 7

Require that Sandia-CA reduce the number of procurement cardholders to facilitate improved oversight of procurement card transactions.

Management Comment

Concur

In order to reduce the number of P-Card holders, Sandia will review the number of P-Card holders in their program to remove those P-Card holders that have inactive or minimal use so that only those P-Card holders that have an actual business necessity will have a P-Card. The results will be provided to the SSO for review and if necessary, the Contracting Officer will provide further direction.

Appendix C

PRIOR OIG REPORTS

The following are previously issued OIG reports that are related to procurement cards.

“Selected Purchase Card Transactions at the Nevada Site Office” (INS-O-06-01, November 2005). This report found that procurement card transactions were not always reviewed and approved by designated approving officials; procurement card holders and designated approving officials were not completing refresher training within required timeframes; there were inconsistencies with how the procurement card program was administered; and monthly bank statements were not reconciled with procurement card financial records.

“The Department’s Federal Purchase Card Program at Headquarters” (DOE/IG-0675, February 2005). This report found that procurement card users did not take full advantage of an automated procurement system, resulting in inefficiencies; acquired accountable items that were not then entered into the Department’s property management system; exceeded documented purchasing authority and did not demonstrate a continued need for a procurement card; and acquired several items that reflected a questionable use of the procurement card.

“Los Alamos National Laboratory’s Purchase Card Program Corrective Actions” (DOE/IG-0644, April 2004). This report found that the Laboratory could enhance guidance to procurement card holders by clarifying the rationale for items that should not be acquired by procurement card and the processes for seeking exceptions to those restrictions; could automate its data analysis techniques to identify purchases that did not comply with internal guidance; and could enhance periodic reviews of card holder activities by improving follow-up actions to correct noted problems and imposing sanctions for departures from established procedures.

“Sandia National Laboratories Procurement Card Program” (WR-B-02-03, August 2002). This report found that Sandia procurement card holders purchased restricted items, split purchases to avoid transaction limits, and allowed unauthorized users to make purchases.

“U.S. Department of Energy’s Purchase Card Programs - Lessons Learned” (I01OP001, February 2002). This report identified lessons learned that can be used to improve the operation and

performance of the procurement card programs, including: developing comprehensive guidelines for procurement card processes; clearly delineating allowable and non-allowable items; taking aggressive steps to assure compliance with established policies and procedures; and establishing a system that provides a full accounting of the number of card holders, card holder status, and spending limitations.

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1. What additional background information about the selection, scheduling, scope, or procedures of the inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message clearer to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

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