

AUDIT REPORT

Audit of NRC's Purchase Card Program

OIG-11-A-13 May 31, 2011



All publicly available OIG reports (including this report) are accessible through
NRC's Web site at:

<http://www.nrc.gov/reading-rm/doc-collections/insp-gen/>



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE
INSPECTOR GENERAL**

May 31, 2011

MEMORANDUM TO: R. William Borchardt
Executive Director for Operations

FROM: Stephen D. Dingbaum **/RA/**
Assistant Inspector General for Audits

SUBJECT: AUDIT OF NRC'S PURCHASE CARD PROGRAM
(OIG-11-A-13)

Attached is the Office of the Inspector General's (OIG) audit report titled, *Audit of NRC's Purchase Card Program*.

The report presents the results of the subject audit. Agency comments provided at the April 19, 2011, exit conference have been incorporated, as appropriate, into this report.

Please provide information on actions taken or planned on each of the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to OIG followup as stated in Management Directive 6.1.

We appreciate the cooperation extended to us by members of your staff during the audit. If you have any questions or comments about our report, please contact me at 415-5915 or Kathleen Stetson, Team Leader, Financial and Administrative Audit Team, at 415-8175.

Attachment: As stated

Electronic Distribution

Edwin M. Hackett, Executive Director, Advisory Committee
on Reactor Safeguards
E. Roy Hawkens, Chief Administrative Judge, Atomic Safety
and Licensing Board Panel
Stephen G. Burns, General Counsel
Brooke D. Poole, Director, Office of Commission Appellate Adjudication
James E. Dyer, Chief Financial Officer
Margaret M. Doane, Director, Office of International Programs
Rebecca L. Schmidt, Director, Office of Congressional Affairs
Eliot B. Brenner, Director, Office of Public Affairs
Annette Vietti-Cook, Secretary of the Commission
R. William Borchardt, Executive Director for Operations
Michael F. Weber, Deputy Executive Director for Materials, Waste,
Research, State, Tribal, and Compliance Programs, OEDO
Darren B. Ash, Deputy Executive Director
for Corporate Management, OEDO
Martin J. Virgilio, Deputy Executive Director for Reactor
and Preparedness Programs, OEDO
Mary C. Muessle, Acting Assistant for Operations, OEDO
Kathryn O. Greene, Director, Office of Administration
Patrick D. Howard, Director, Computer Security Office
Roy P. Zimmerman, Director, Office of Enforcement
Charles L. Miller, Director, Office of Federal and State Materials
and Environmental Management Programs
Cheryl L. McCrary, Director, Office of Investigations
Thomas M. Boyce, Director, Office of Information Services
Miriam L. Cohen, Director, Office of Human Resources
Michael R. Johnson, Director, Office of New Reactors
Catherine Haney, Director, Office of Nuclear Material Safety
and Safeguards
Eric J. Leeds, Director, Office of Nuclear Reactor Regulation
Brian W. Sheron, Director, Office of Nuclear Regulatory Research
Corenthis B. Kelley, Director, Office of Small Business and Civil Rights
James T. Wiggins, Director, Office of Nuclear Security
and Incident Response
William M. Dean, Regional Administrator, Region I
Victor M. McCree, Regional Administrator, Region II
Mark A. Satorius, Regional Administrator, Region III
Elmo E. Collins, Jr., Regional Administrator, Region IV

EXECUTIVE SUMMARY

BACKGROUND

The Governmentwide Purchase Card Program was established in the late 1980s as a way for agencies to streamline the Federal acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. Purchase cards can be used for micro-purchases,¹ as well as to place orders and make payments on contract activities.

The General Services Administration (GSA) administers the Governmentwide Purchase Card Program. GSA contracts with several banks, including Citibank — the bank used by the Nuclear Regulatory Commission (NRC) — to provide purchase cards to Federal employees.

Oversight of the Governmentwide Purchase Card Program is also the responsibility of the Office of Management and Budget (OMB). In August 2005, OMB issued Appendix B to Circular A-123, *Improving the Management of Government Charge Card Programs*.² Appendix B established minimum requirements and suggested best practices for agency purchase card programs.

In February 2011, NRC issued a revised *Purchase Card Handbook* (the Handbook) — originally issued in July 1994 — as the agency guidance for employees participating in the Governmentwide Purchase Card Program.

The Office of Administration (ADM) is responsible for oversight of NRC's Purchase Card Program. ADM has a designated Agency Purchase Card Program Coordinator (Coordinator) who is responsible for day-to-day program management. The Coordinator provides oversight of the Purchase Card Program and serves as the liaison between cardholders and the contracting bank.

¹ A micro-purchase is an acquisition of supplies or services not subject to the Service Contract Act in which the aggregate amount does not exceed \$3,000. For services subject to the Service Contract Act the amount cannot exceed \$2,500. For construction projects subject to the Davis-Bacon Act the limit is \$2,000.

² OMB Circular A-123, Appendix B, was last revised on January 15, 2009.

From December 1, 2008, through March 31, 2010, NRC had about 160 purchase cardholders who incurred transactions totaling approximately \$8.3 million.³

PURPOSE

The audit objective was to determine whether NRC has established and implemented an effective system of internal control over the use of Federal purchase cards.

RESULTS IN BRIEF

Overall, NRC has established a Purchase Card Program that streamlines Federal acquisition processes by providing an efficient vehicle for obtaining goods and services directly from vendors. However, the Office of the Inspector General (OIG) identified opportunities for improvement. Specifically:

- A. Employees are not consistently following agency Purchase Card Program guidance.
- B. Employees appear to be making split transactions⁴ and using convenience checks improperly.
- C. The agency's cardholder records are incomplete.

Addressing these concerns will strengthen NRC's internal control over Federal purchase cards.

RECOMMENDATIONS

This report makes recommendations to improve the agency's Purchase Card Program. A list of these recommendations appears on page 17 of this report.

³ As of December 15, 2010, NRC had approximately 131 cardholders.

⁴ A split transaction occurs when purchases are made on the same day from the same vendor to circumvent cardholder single transaction limits.

AGENCY COMMENTS

OIG met with NRC management officials and staff during an April 19, 2011, exit conference at which time the agency provided informal comments. On April 26, 2011, OIG provided a revised draft report to the agency along with documentation requested by the agency regarding the exceptions identified during the audit. OIG met with agency management and staff on May 2, 2011, to discuss additional suggested changes to the report; subsequently, OIG incorporated additional informal comments into the draft report as appropriate. NRC staff reviewed the revised draft report and opted not to provide formal comments.

ABBREVIATIONS AND ACRONYMS

ADM	Office of Administration
GSA	General Services Administration
NRC	Nuclear Regulatory Commission
OIG	Office of the Inspector General
OMB	Office of Management and Budget

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
ABBREVIATIONS AND ACRONYMS.....	iv
I. BACKGROUND	1
II. PURPOSE	3
III. FINDINGS	3
A. AGENCY GUIDANCE IS NOT CONSISTENTLY FOLLOWED	4
B. SPLIT TRANSACTIONS AND THE IMPROPER USE OF CONVENIENCE CHECKS APPEAR TO BE OCCURRING	8
C. CARDHOLDER RECORDS ARE INCOMPLETE	14
IV. CONSOLIDATED LIST OF RECCOMENDATIONS	17
V. AGENCY COMMENTS.....	18

APPENDIX

SCOPE AND METHODOLOGY	19
-----------------------------	----

I. BACKGROUND

The Governmentwide Purchase Card Program was established in the late 1980s as a way for agencies to streamline the Federal acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. Purchase cards can be used for micro-purchases,⁵ as well as to place orders and make payments on contract activities.

The General Services Administration (GSA) administers the Governmentwide Purchase Card Program. GSA contracts with several banks, including Citibank — the bank used by the Nuclear Regulatory Commission (NRC) — to provide purchase cards to Federal employees.

Oversight of the Governmentwide Purchase Card Program is also the responsibility of the Office of Management and Budget (OMB). In August 2005, OMB issued Appendix B to Circular A-123, *Improving the Management of Government Charge Card Programs*.⁶ Appendix B established minimum requirements and suggested best practices for agency purchase card programs. In addition, Appendix B requires that each agency develop and maintain written policies and procedures for the appropriate use of Government purchase cards.

In February 2011, NRC issued a revised *Purchase Card Handbook* (the Handbook) — originally issued in July 1994 — as the agency guidance for employees participating in the Governmentwide Purchase Card Program. The Handbook contains guidance on how to obtain an NRC purchase card, reconcile purchase card records, obtain spending limit increases, and close purchase card accounts. In addition, the Handbook specifies procedures for tagging accountable property⁷ bought with a purchase

⁵ A micro-purchase is an acquisition of supplies or services not subject to the Service Contract Act in which the aggregate amount does not exceed \$3,000. For services subject to the Service Contract Act the amount cannot exceed \$2,500. For construction projects subject to the Davis-Bacon Act the limit is \$2,000.

⁶ OMB Circular A-123, Appendix B, was last revised on January 15, 2009.

⁷ Accountable property is all personal property considered nonexpendable that has an expected useful life of 2 years or longer and with an acquisition value, as determined by the agency policy, that warrants tracking in the agency's property records.

card, purchasing items that need prior approval, and using convenience checks⁸ issued under the Purchase Card Program.

The Office of Administration (ADM) is responsible for oversight of NRC's Purchase Card Program. ADM has a designated Agency Purchase Card Program Coordinator (Coordinator) who is responsible for day-to-day program management. The Coordinator provides oversight of the purchase card program and serves as the liaison between cardholders and the contracting bank. Other Coordinator responsibilities include:

- Establishing policies, procedures, and training requirements.
- Setting up new cardholder accounts, reissuing expired cards, and canceling inactive accounts.
- Providing ongoing guidance and information to cardholders and approving officials on the appropriateness of proposed purchases.
- Conducting annual reviews of cardholder purchase card records to ensure that the program is operating in accordance with applicable guidance.

From December 1, 2008, through March 31, 2010, NRC had about 160 purchase cardholders who incurred transactions totaling approximately \$8.3 million.⁹

⁸ Convenience checks are checks written against a purchase card account.

⁹ As of December 15, 2010, NRC had approximately 131 cardholders.

II. PURPOSE

The audit objective was to determine whether NRC has established and implemented an effective system of internal control over the use of Federal purchase cards. The report Appendix contains information on the audit scope and methodology.

III. FINDINGS

Overall, NRC has established a Purchase Card Program that streamlines Federal acquisition processes by providing an efficient vehicle for obtaining goods and services directly from vendors. However, the Office of the Inspector General (OIG) identified opportunities for improvement.

Specifically:

- A. Employees are not consistently following agency Purchase Card Program guidance.
- B. Employees appear to be making split transactions¹⁰ and using convenience checks improperly.
- C. The agency's cardholder records are incomplete.

Addressing these concerns will strengthen NRC's internal control over Federal purchase cards.

¹⁰ A split transaction occurs when purchases are made on the same day from the same vendor to circumvent cardholder single transaction limits.

A. Agency Guidance Is Not Consistently Followed

NRC staff involved with the Purchase Card Program are not consistently following procedures for closing purchase card accounts, tagging property, and requesting spending limit increases as required by the *Purchase Card Handbook*. These conditions exist because NRC guidance has not been consistently communicated to cardholders and approving officials. As a result, the agency is at increased risk of fraud, waste, and asset misappropriation.

NRC Purchase Card Handbook Procedures

The Handbook describes specific requirements for closing purchase card accounts, tagging accountable property, and requesting spending limit increases.

Closing Purchase Card Accounts

The Handbook describes the requirements for closing NRC purchase card accounts. Specifically, if a cardholder leaves the agency, NRC Form 270, *Separation Clearance*, must be signed by the Coordinator and the cardholder must return the purchase card, cut in half, to the Coordinator. In addition, the Handbook states that if a cardholder transfers positions within the agency and the new position does not require the use of a purchase card, the cardholder must notify the Director, ADM, in writing (with a copy to the cardholder's Office Director) and return the purchase card cut in half.

Agency officials stated that the preceding requirements apply only to headquarters employees and that regional offices maintain their own separation procedures for employees who leave the agency. The Handbook, however, does not distinguish between procedures at headquarters and the regions. At the conclusion of this audit, agency officials stated that the Handbook will be updated to include procedures for closing accounts for purchase cardholders in the regions.

Tagging Property

The Handbook specifies that when accountable property is acquired using an NRC purchase card, the cardholder has a responsibility to ensure that the information regarding that property is reported to the designated office property custodian. The property custodian completes a tagging data sheet, attaches the purchase documentation, and forwards the information to the Property and Labor Services Branch in ADM. Property custodians are responsible for ensuring that property is reported to the Property and Labor Services Branch before approving officials approve the reconciliation of transactions.

Requesting Spending Limit Increases

The Handbook describes the requirements for assigning and temporarily increasing spending limits on NRC purchase cards. There are two types of spending limit thresholds: (1) single-purchase limit and (2) 30-day limit.

A single-purchase threshold is established to limit the maximum amount that a cardholder may spend in a single transaction. The single purchase may consist of multiple items, but the total purchase amount cannot exceed the micro-purchase threshold. If an office needs to purchase multiple items or services at a given time and the total dollar amount exceeds the threshold, the cardholder's office should submit a request for procurement action to ADM for processing. The only exception is for external training. If a cardholder anticipates exceeding the single-purchase threshold when purchasing training, the cardholder must contact the Coordinator to request a temporary increase to the single-purchase threshold to cover the cost of the training registration.

A 30-day limit is also established for each cardholder's cumulative purchases in a given 30-day billing cycle. The cardholder's division director establishes this limit based on budget considerations and anticipated usage. If a temporary increase in the 30-day limit is needed, the cardholder's approving official should contact the Coordinator by e-mail to request the increase.

Procedures Not Consistently Followed

NRC staff involved with the Purchase Card Program are not consistently following procedures for closing purchase card accounts, tagging property, and requesting spending limit increases.

Closing Purchase Card Accounts

Cardholders did not consistently notify the Coordinator when cardholders separated from the agency, thereby leaving inactive accounts open for an extended amount of time. During the time period reviewed, four of eight accounts were closed 30 days or more after the employee separated from the agency.

OIG was also notified that cardholders who transferred to positions within the agency who no longer needed a purchase card or separated from the agency were disposing of the cards themselves. This was done at the direction of the Coordinator, who also would cancel the accounts.

Tagging Property

Property bought using an NRC purchase card is not consistently tagged. The agency conducted a physical inventory of NRC property from May 20, 2010, through August 27, 2010, and determined that 416 of 6,839 property items reviewed were not tagged. An agency official who conducted the inventory stated that these untagged items resulted from purchases made by purchase cardholders without informing their respective property custodian.

At the conclusion of this audit, agency officials informed OIG that they had revised the Handbook section related to the tagging of property. The revised version of the Handbook states that purchase card approving officials and cardholders are responsible for ensuring that property is reported to the office property custodian. Agency officials believe that this change will make the internal control over tagging of property purchased using a purchase card more effective.

Requesting Spending Limit Increases

Agency cardholders are not consistently including 30-day spending limit e-mail requests in their records. OIG reviewed records of 21 cardholders who exceeded their 30-day spending limit from December 1, 2008, through March 31, 2010. OIG was not provided with supporting e-mail documentation of the approved increases for 20 of 56 billing cycles for 11 cardholders.

Agency Guidance Not Consistently Communicated; NRC May Be At Risk

Some areas of NRC guidance have not been consistently communicated by agency officials in charge of the program to cardholders and approving officials. Agency officials acknowledged that NRC can do a better job of communicating the purchase card guidance to cardholders and approving officials, especially in the areas related to closing of accounts, tagging of property, and spending limit increases. Without consistent communication of purchase card guidance, agency cardholders and approving officials may not be fully aware of the requirements for closing accounts, purchasing and tagging property, and increasing spending limits, thereby increasing the risk of fraud, waste, and asset misappropriation.

Recommendation

OIG recommends that the Executive Director for Operations:

1. Issue periodic reminders to cardholders and approving officials to reiterate the requirements for closing accounts, tagging property, and increasing spending limits.

B. Split Transactions and the Improper Use of Convenience Checks Appear To Be Occurring

Federal and agency requirements prohibit cardholders from making split transactions using purchase cards and authorize the use of convenience checks only under specific conditions. Despite these requirements, employees appear to be making split transactions to acquire office supplies and services, and using convenience checks when such use is not authorized. These situations are occurring because (1) the NRC *Purchase Card Handbook* does not provide sufficient clear examples of “split transactions” and does not define the term “miscellaneous expense,” and (2) there is not a documented mechanism in place to enforce the existing requirements. The use of split transactions may hinder the agency’s ability to get the best price on its purchases. Additionally, the improper use of convenience checks results in unnecessary costs to the Government.

Guidance Regarding Split Transactions and the Use of Convenience Checks

Federal and agency guidance prohibit cardholders from making split transactions using purchase cards and authorize the use of convenience checks only under specific conditions.

Split Transactions

The Handbook defines and contains specific requirements for avoiding split transactions. Specifically, Appendix 8 of the Handbook, *Guidance on Avoidance of Split Purchase Card Transactions*, defines a split transaction as any purchase that, as a whole, exceeds the micro-purchase limit, but is separated into smaller transactions to avoid that limit. A common indicator of a split transaction is multiple transactions with the same vendor for the same items on the same day (or within a period of a few days), where the total amount of the transactions exceeds the micro-purchase limit. The Handbook states that split transactions are prohibited.

Convenience Checks

OMB Circular A-123, Appendix B, authorizes the use of convenience checks only under specific conditions. The circular specifies that convenience checks are a payment and/or procurement tool intended only for use with merchants that do not accept purchase cards and for other authorized purposes where charge cards are not accepted. Convenience checks should be used as a payment method of last resort, only when no reasonable alternative merchant is available who accepts the charge card. The circular also states that convenience checks may be written only to vendors who do not accept purchase cards, for emergency incident response, and for other agency approved purposes that comply with the Debt Collection Improvement Act of 1996.

The Handbook also has specific requirements for the use of convenience checks. Appendix 6 of the Handbook, *Convenience Check Procedures*, states that "a convenience check is used for a miscellaneous expense purchase in which the merchant does not accept the Government purchase card."

Split Transactions and the Improper Use of Convenience Checks Appear To Be Occurring

Despite Federal and agency requirements, agency cardholders are making purchases that have the appearance of being split transactions to acquire office supplies and services, and using convenience checks when such use is not authorized.

Split Transactions

NRC purchase cardholders sometimes use the cards to make purchases that appear to be split transactions. OIG reviewed purchase card transactions that occurred from December 1, 2008, through March 31, 2010. Of those transactions, OIG reviewed the supporting documentation for 180 transactions made by 19 cardholders from 14 different NRC offices. OIG identified 25 transactions from 8 different offices that appeared to be split transactions.

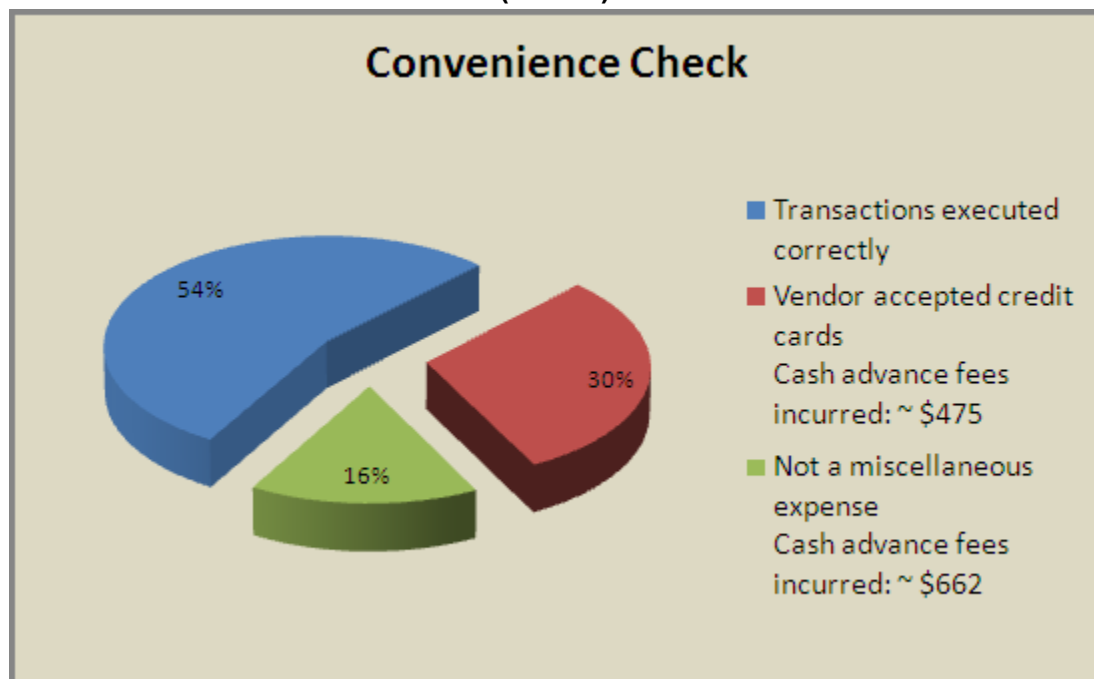
For example, split transactions that appear to be occurring within NRC are for the purchase of software licenses. In these cases, an NRC employee

makes separate requests for the same software license, for two separate individuals, within the same agency office on the same day. A cardholder then purchases both licenses from the same vendor. Individually, the orders are less than the micro-purchase limit of \$3,000; however, together the total exceeds that limit.

Convenience Checks

OIG's review of records also identified examples of improper convenience check use. OIG examined 126 purchase card convenience check transactions and identified 58 transactions that fell outside of the specified requirements in Federal and agency guidance (see figure, below). Specifically, OIG identified 38 convenience check transactions that were executed even though the vendor accepted the use of a purchase card. These transactions totaled about \$17,742 and incurred check fees of approximately \$475. In addition, OIG identified 20 convenience check transactions executed where the transaction could have been construed as not being a "miscellaneous expense." These transactions totaled about \$27,765 and incurred check fees of approximately \$662.

OIG Review of Convenience Check Transactions, December 1, 2008, Through March 31, 2010 (n=126)



Source: OIG Analysis

For example, there were 15 instances where a convenience check was used instead of the purchase card for the annual renewal of post office boxes, even though most U.S. Postal Service locations accept credit cards. OIG identified unnecessary fees of approximately \$61 associated with these transactions.

As an example of a convenience check used to pay for a transaction that could have been construed as non-miscellaneous expense, OIG identified a transaction involving a vendor who provided audio/videotaping for two public meetings. NRC used convenience checks to pay for the service because the company did not accept credit cards. However, this activity may not be considered a miscellaneous expense because NRC could have used the procurement process to contract for audio/videotaping services. The agency could have easily used a purchase order to pay for the service.

Agency Guidance Not Clear and No Effective Mechanism To Enforce Existing Requirements

Potential violations of agency policies and procedures for split transactions and convenience checks are occurring because the Handbook does not have (1) enough clear examples of split-transactions and (2) a definition of miscellaneous expense as related to the use of convenience checks. Moreover, there is not a documented mechanism in place to enforce the existing requirements.

The Handbook does not have enough clear examples of split transactions to ensure that readers understand the concept. Although Appendix 8 of the Handbook gives a brief definition of a split purchase along with three example scenarios, agency officials acknowledge that there need to be more clear scenarios to address different split transaction circumstances.

Further, for convenience checks, Appendix 6 of the Handbook does not give any explanation, definition, or examples of a miscellaneous expense. Without a clear definition of miscellaneous expense, agency cardholders use individual interpretations of the term. An agency official acknowledged that the definition of miscellaneous expense needs to be included in the Handbook. However, other agency officials stated that the requirement for the expense to be miscellaneous is not part of the

guidance included in OMB Circular A-123, Appendix B, and the term “miscellaneous expense” should be deleted from the Handbook.

The agency also does not have a documented mechanism in place to enforce existing requirements regarding split transactions and convenience checks. Although the agency conducts quarterly audits of a sample of purchase card transactions, an OIG review of these audits revealed that potential violations involving split transactions and the improper use of convenience checks are being overlooked because the agency manually conducts monitoring of these transactions. Federal Government best practices suggest the continuous monitoring of all transactions to assist in identifying potential violations of requirements. By using an automated tool, the Coordinator would be better able to identify those transactions that need scrutiny while minimizing the analysis of transactions that fall within the purchase card policy. Agency officials acknowledge that a computerized approach to continuous monitoring may be more effective in identifying these types of potential violations.

Ability To Obtain Best Price May Be Hindered; Unnecessary Cost to Government

The use of split transactions and the improper use of convenience checks results in unnecessary expense to the agency. Split transactions may not allow the agency to obtain the best price on its purchases because agency cardholders are circumventing the procurement process, which may allow for volume discounts. Moreover, the improper use of convenience checks results in unnecessary check fee costs to the Government. Although these check fees may seem minimal on a per transaction basis, they can become significant when totaled over a number of years.

Recommendations

OIG recommends that the Executive Director for Operations:

2. Update the NRC *Purchase Card Handbook* to include more clear examples of split transactions and a detailed definition and examples of miscellaneous expenses in the discussion of convenience checks.
3. Revise the purchase card training course to incorporate more clear examples of split transactions and a detailed definition and examples of miscellaneous expenses in the discussion of convenience checks.
4. Document procedures requiring (1) the continuous monitoring of NRC purchase card transactions to assess whether split transactions are occurring and convenience checks are being used improperly and (2) follow up with NRC offices that are not following the agency's requirements.

C. Cardholder Records Are Incomplete

Although Federal and agency guidance define recordkeeping requirements for the Purchase Card Program, the agency does not maintain complete records of NRC purchase cardholders and their delegations of authority. These records are not being properly maintained because the agency does not have documented procedures in place to maintain such records. As a result, NRC staff may not have proper authority to use purchase cards, which could lead to fraud, waste, and abuse.

Recordkeeping Requirements

OMB Circular A-123, Appendix B, defines the recordkeeping requirements for Government Purchase Card Programs. The circular stipulates that part of the general responsibilities of Purchase Card Program management is to oversee the establishment and maintenance of master file/official cardholder records.

The Handbook expands on the recordkeeping requirements for convenience checks under the Purchase Card Program. Specifically, the Handbook guidance states that convenience checks issued under the Purchase Card Program are subject to all the regulations and restrictions of the purchase card. According to agency Purchase Card Program Management, this requirement includes the issuance of delegations of authority for check writers.

Purchase Card Records Not Complete

Although Federal and agency guidance define recordkeeping requirements for the Purchase Card Program, the agency does not maintain complete records of the number of NRC purchase cardholders and their delegations of authority. OIG compared the list of cardholders maintained by NRC Purchase Card Program management with a list generated from Citibank records and cardholder delegations of authority. OIG identified 20 of 160 cardholders for which cardholder information was missing from the information reviewed (see table, next page). Moreover, agency program management was not able to provide the delegations of authority for the designated check writers for convenience checks.

Comparison of NRC Cardholder Records From Different Sources for Transactions from December 1, 2008, Through March 31, 2010¹¹

Description	Number of Occurrences
Cardholders that had activity with Citibank but did not appear on the list provided by Purchase Card Management and had no delegation of authority	1
Cardholders that had activity with Citibank and appear on the list provided by Purchase Card Management but had no delegation of authority	3
Cardholders that had activity with Citibank and had a delegation of authority but did not appear on the list provided by Purchase Card Management	1
Cardholders that appeared on the list provided by Purchase Card Management but did not have a delegation of authority and did not have activity with Citibank	13
Cardholders that had delegations of authority but did not appear on the list provided by Purchase Card Management and did not have activity with Citibank	2
Total	20

Source: OIG Analysis

No Procedures in Place To Maintain Records; Staff May Not Have Proper Authority

Agency purchase cardholder records are incomplete because the agency does not have documented procedures in place to maintain such records. NRC Purchase Card Program management stated that they currently use the Handbook as the guidance for operating the program. This lack of documented internal recordkeeping procedures has led to incomplete cardholder records and may result in agency staff not having the proper authority to use purchase cards and write convenience checks. Improper authority to use NRC purchase cards increases the agency's risk of individuals committing fraud, waste, and abuse.

¹¹ There were approximately 160 NRC purchase cardholder records from December 1, 2008, through March 31, 2010.

Recommendations

OIG recommends that the Executive Director for Operations:

5. Develop desk procedures for agency Purchase Card Program management to ensure complete records of purchase cardholder and designated check writer information.
6. Document periodic reconciliations of Citibank active accounts and NRC's master file on official cardholder records.

IV. CONSOLIDATED LIST OF RECOMMENDATIONS

1. Issue periodic reminders to cardholders and approving officials to reiterate the requirements for closing accounts, tagging property, and increasing spending limits.
2. Update the NRC *Purchase Card Handbook* to include more clear examples of split transactions and a detailed definition and examples of miscellaneous expenses in the discussion of convenience checks.
3. Revise the purchase card training course to incorporate more clear examples of split transactions and a detailed definition and examples of miscellaneous expenses in the discussion of convenience checks.
4. Document procedures requiring (1) the continuous monitoring of NRC purchase card transactions to assess whether split transactions are occurring and convenience checks are being used improperly and (2) follow up with NRC offices that are not following the agency's requirements.
5. Develop desk procedures for agency Purchase Card Program management to ensure complete records of purchase cardholder and designated check writer information.
6. Document periodic reconciliations of Citibank active accounts and NRC's master file on official cardholder records.

V. AGENCY COMMENTS

OIG met with NRC management officials and staff during an April 19, 2011, exit conference at which time the agency provided informal comments. On April 26, 2011, OIG provided a revised draft report to the agency along with documentation requested by the agency regarding the exceptions identified during the audit. OIG met with agency management and staff on May 2, 2011, to discuss additional suggested changes to the report; subsequently, OIG incorporated additional informal comments into the draft report as appropriate. NRC staff reviewed the revised draft report and opted not to provide formal comments.

SCOPE AND METHODOLOGY

The audit objective was to determine whether NRC has established and implemented an effective system of internal control over the use of Federal purchase cards. The audit focused on reviewing documentation for NRC purchase card transactions and meeting with individuals who have participated in the NRC Purchase Card Program.

OIG reviewed Federal guidance pertaining to the administration of purchase card programs, including OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, and other Federal guidance on internal control and program management. Additionally, OIG considered pertinent internal agency Purchase Card Program documents, including the *Purchase Card Handbook* and Management Directive 11.1, *NRC Acquisition of Supplies and Services*. Lastly, OIG reviewed previously issued Federal audit reports addressing issues related to other agencies' purchase card programs.

OIG interviewed management officials in ADM and the Office of the Chief Financial Officer to obtain their insights into the implementation and oversight of the Purchase Card Program. Additional interviews were conducted with cardholders and approving officials from headquarters and the regions.

OIG also conducted record reviews during the course of the audit. Specifically, the audit team reviewed supporting documentation for NRC purchase card transactions from December 1, 2008, through March 31, 2010. Supporting documentation included purchase card transaction receipts; delegations of authority; NRC Form 572, *NRC Purchase Card Log*; and NRC Form 30, *Request for Administrative Services*. OIG reviewed these documents to determine if purchase cardholders were retaining the appropriate records in accordance with Federal and agency guidance and whether ADM is appropriately overseeing the Purchase Card Program.

We conducted this performance audit at NRC headquarters from July 2010 through January 2011 in accordance with generally accepted Government auditing standards. Those standards require that the audit is planned and performed with the objective of obtaining sufficient, appropriate evidence to provide a reasonable basis for any findings and conclusions based on the stated audit objective. OIG believes that the evidence obtained provides a reasonable basis for the report findings and conclusions based on the audit objective. Internal controls related to the audit objective were reviewed and analyzed. Throughout the audit, auditors were aware of the possibility or existence of fraud, waste, or misuse in the program.

The audit work was conducted by Kathleen Stetson, Team Leader; Eric Rivera, Audit Manager; Elaine Kolb, Senior Auditor; Dennis Sylvester, Auditor; John Tornabane, Management Analyst; and Harluxsh Gill, Summer Intern.