

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER**

**AUDIT OF INTERNAL CONTROLS OVER
THE OCFO PURCHASE CARD PROGRAM**

OFFICE OF INTEGRITY AND OVERSIGHT




GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Office of Integrity and Oversight

TO: Paul Lundquist, Executive Director
Office of Management and Administration

FROM: Timothy Barry, Executive Director 
Office of Integrity and Oversight

DATE: September 17, 2015

SUBJECT: Audit of Internal Controls over the OCFO Purchase Card Program
(OIO No. 15-01-07 OCFO)

This final report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of Internal Controls over the OCFO Purchase Card Program.

The objectives of the audit were to: (1) determine whether effective internal controls were in place to ensure the OCFO's purchase card program is properly established, maintained, and operating in accordance with applicable laws, regulations, policies and procedures, and (2) ensure effective and adequate oversight exists over purchase card transactions. Our audit identified that the Office of Management and Administration (OMA) has internal control weaknesses in the OCFO Purchase Card Program that need improvement.

OIO provided 9 recommendations to correct the described internal control weaknesses. OMA concurred with the recommendations and agreed to implement the necessary corrective actions. We consider the planned corrective actions to be responsive and meet the intent of the recommendations.

We appreciate the assistance and cooperation that you and your staff provided to OIO during this audit. Should you have any questions, please contact me at (202) 442-6433 or Mohamad Yusuff, Director of Internal Audit, at (202) 442-8240.

cc: Jeff DeWitt, Chief Financial Officer, Government of the District of Columbia
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO
Marshelle Richardson, Chief Risk Officer, OCFO
Michell Johnson, Controller, Office of Management and Administration
Dorothy Whisler-Fortune, Director and Chief Procurement Officer, Office of Contracts

**AUDIT OF INTERNAL CONTROLS OVER THE OCFO
PURCHASE CARD PROGRAM**

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**AUDIT OF INTERNAL CONTROLS OVER THE OCFO
PURCHASE CARD PROGRAM**

ACRONYMS

APC	Agency Program Coordinator
AO	Approving Official
ART	Agency Review Team
CH	Cardholder
FO-1	Request for Purchase
JPMC	JP Morgan Chase
MCC	Merchant Category Code
OCFO	Office of the Chief Financial Officer
OCP	Office of Contracting and Procurement
OMA	Office of Management and Administration
OIO	Office of Integrity and Oversight
SOAR	System of Accounting and Reporting

EXECUTIVE SUMMARY

OVERVIEW

The Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO) conducted an audit of the internal controls over the OCFO purchase card program. This audit was requested by the Executive Director of the Office of Management and Administration (OMA) and included in the OIO's Fiscal Year (FY) 2015 Audit and Integrity Plan. The objectives of our audit were to: (1) determine whether effective internal controls are in place to ensure the OCFO's purchase card program was properly established, maintained, and operating in accordance with applicable laws, regulations, policies and procedures, and (2) ensure effective and adequate oversight exists for purchases.

CONCLUSIONS

Based on this audit, we concluded that internal controls over the purchase card program need to be strengthened. Specifically, we found:

- Cardholders purchased restricted and prohibited items. Restricted purchases included food, hotel stays, computer and electronic equipment, and food-related gift cards;
- Cardholders paid taxes on purchases although the District is tax exempt in surrounding jurisdictions;
- The Approving Official (AO) and Agency Review Team (ART) oversight and monitoring were ineffective;
- Cardholders did not comply with OCFO Policies and Procedures as they relate to maintaining supporting documentation. Missing documentation included the request for purchase, proof of approval and authorization;
- Purchase cards were not properly safeguarded;
- Evidence of training was not maintained for all cardholders; and
- The OCFO Purchase Card Policies and Procedures require clarity and consistency.

In FY 2015, the OMA Executive Director appointed a new Agency Program Coordinator (APC) within the OMA Financial Operations Division to provide oversight of the OCFO purchase card program. The APC is taking a more proactive approach in monitoring purchase card transactions and has developed constructive ideas for ART meetings to specifically address cardholder issues and concerns.

EXECUTIVE SUMMARY

SUMMARY OF RECOMMENDATIONS

We provided nine recommendations to the Executive Director, OMA, to improve the internal controls over the purchase card program. The recommendations focused on:

- Enforcing the OCFO policy and procedures for cardholders and approving officials that do not comply with purchase card procedures.
- Directing the ART to monitor purchase card transactions to ensure restricted and prohibited items are not purchased.
- Requesting cardholders obtain reversal of taxes from the vendor when taxes are paid on purchases;
- Providing mandatory refresher training to all cardholders and approving officials; and
- Revising OCFO policies and procedures over the program to provide clarity and consistency with OCP guidelines.

MANAGEMENT RESPONSE AND OIO COMMENTS

OIO received a written response to the draft report from OMA on September 1, 2015. OMA management concurred with all nine of the recommendations and plans to take the necessary corrective actions to address the audit findings. We consider the planned corrective actions to be responsive and meet the intent of the recommendations. A copy of OMA's complete response is included as an Appendix to this report.

INTRODUCTION

BACKGROUND

The District initiated a purchase card program in 2000 to “increase the efficiency of District government programs by reducing paperwork and administrative costs for high volume, small dollar value purchases and to provide District employees with a customer centric purchasing tool that will enable them to perform their respective programmatic functions of government in an efficient, timely, and cost effective manner.” The Mayor issued Mayoral Order 2006-56 on May 19, 2006, which mandated the use of purchase cards for items valued at \$2,500 or less. On April 1, 2014, Mayor’s Order 2014-067 increased the value of goods that may be purchased to \$5,000 or less and services valued at \$2,500 or less.

The Office of Contracting and Procurement (OCP) has the overall responsibility to oversee the District’s purchase card program. The OCP issued Procurement Policy and Procedures in February 2009 that govern the purchase card program. These procedures are applicable to all participants as noted in Part I.A.3 on Applicability, “The policy and procedures shall apply to all clusters, bureaus and components of the OCP and independent agencies of the District Government which elect and are determined by OCP to be eligible to participate in the program.” The OCP procedures further state in Part II.A.2, General Agency Use Policy, “In addition to the requirements and limitations stated in this directive, each agency head, or his or her designee, may authorize additional conditions or limitations not in conflict with this directive, which may be necessary to accomplish the effective and economical use of the purchase card within the participating agency.”

OCFO Purchase Card Program

The Office of the Chief Financial Officer (OCFO) is an independent agency that participates in the purchase card program. The OCFO enrolled in the OCP administered program in 2009. The Office of Management and Administration (OMA) Office of Contracts had the overall responsibility to oversee the OCFO purchase card program through FY 2014. In FY 2015, the coordination of the OCFO purchase card program was moved to the OMA’s Financial Operations Division.

During the audit period, FY 2013 and FY 2014, there were 29 cardholders (CHs) in the OCFO purchase card program located in agencies under the OCFO control. The OCFO generally has one cardholder per agency, with larger agencies having multiple cardholders.

In FYs 2013 and 2014, the OCFO purchase card program had the following volume of activity:

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**Table 1:
OCFO Purchase Card Program Activity**

	FY 2013	FY 2014	Total
# of Transactions	1,188	1,248	2,436
Amount	\$407,012.62	\$454,692.54	\$861,705.16

Source: PaymentNet

All CHs and approving officials (AOs) are required to attend training provided by the OCP, prior to receiving their card and access to the PaymentNet system. Upon the successful completion of the training, the CHs and AOs complete a training affidavit and OCP sends a request to JP Morgan Chase (JPMC) to obtain the card. The card is received by OMA and the cardholder must sign for the card to indicate receipt. Additionally, OCFO cardholders are required to meet with the OCFO Agency Program Coordinator (APC) for training specific to internal OCFO policies and procedures.

After OCFO training, CHs can request fund advances for their office by submitting the “Purchase Card Advance Request” form directly to the APC prior to an actual purchase. The form is needed to upload funds to the cardholders’ account to make the card available for use. Advances can occur at three times during the year and on an emergency basis. CH accounts are increased at the beginning of the fiscal year and decreased at the end of the fiscal year since funds are not allowed to be carried over into the next fiscal year. The information from the “Purchase Card Advance Request” form is input into the System of Accounting and Reporting by the APC.

Cardholders within the agency may make purchases of goods and services not to exceed \$2,500 daily and \$10,000 monthly. If for any reason, a CH’s purchase must exceed the daily limit, the CH must contact the APC prior to the purchase, who in turn contacts the OCP Program Coordinator via email to request a limit increase.

CHs are required to maintain hard copies of all receipts for their files and forward the originals to the APC. By the 25th of each month, the CH and the AO must approve purchases in PaymentNet and maintain hard copies of all “Request to Purchase” Forms (FO-1’s) and supporting documentation. The support is also forwarded to the APC electronically or in person for recordkeeping.

The OCFO Policy and Procedures Manual, Section 90102012.50 “Authorization,” states “The purchase card program is governed by the OCP which sets the citywide policies and procedures for use of the purchase cards. The OCFO which has independent authority has established

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additional guidelines for use of the OCFO purchase cards in addition to the general guidelines established by the OCP.”

PRIOR AUDITS

The OIO issued a report in April 2012, “*District Wide Audit of the Purchase Card Program Administered by the Office of Contracting and Procurement.*” The audit found internal control weaknesses such as increases to purchase limits without adequate justification; transactions processed with prohibited Merchant Category Codes (MCCs); Agency Review Team (ART) members were not following program policies and procedures; and lack of supporting documentation for purchases. The OCFO was specifically cited for ART violations which included the untimely submission of meeting sign-in sheets and combining two or more months of ART meetings.

OBJECTIVES, SCOPE AND METHODOLOGY

The audit objectives were to: (1) determine whether effective internal controls are in place to ensure the OCFO’s purchase card program was properly established, maintained, and operating in accordance with applicable laws, regulations, policies and procedures; and (2) ensure effective and adequate oversight exists for purchases.

In order to achieve these objectives, we examined a statistical sample of 120 purchase card transactions from OCFO cardholder transactions. The audit covered the 2 year period from October 1, 2012, to September 30, 2014. Our examination included verifying that purchases were authorized, required supporting documentation were maintained, the amounts were reasonable and the purchases were for government purposes. Additionally, we selected a non-statistical sample of 15 transactions with ‘questionable vendor names’ to determine if they were properly authorized, supported, and for government use.

We relied on computer-processed data from the JP Morgan Chase PaymentNet system. We did not perform a formal reliability assessment of the computer-processed data. JP Morgan Chase is a service organization; therefore, they provide the District with a Type 1 Statement on Standards for Attestation Engagements No. 16 (SSAE 16) to demonstrate that the system is reliable on an annual basis.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

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based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

FINDING 1: UNALLOWABLE PURCHASE CARD TRANSACTIONS

SYNOPSIS

We found that cardholders purchased restricted and prohibited items totaling \$8,712.11, paid taxes of \$502.44 on purchases, and used the purchase card to pay prior year invoices. This condition existed due to inadequate review of transactions by approving officials, and absent monitoring by ART members. As a result, cardholders purchased items that may or may not have been for government use.

DISCUSSION:

In addition to the statistical sample of 120 transactions (see Finding 2), OIO analyzed the entire population of purchase card transactions for both fiscal years to identify restricted Merchant Category Codes (MCCs), weekend and holiday purchases, and questionable vendor names such as hotels, Best Buy, Target, BJ's Wholesale, and Party City. We selected a non-statistical sample of 15 of these 'questionable vendor' transactions to determine if the purchases were for official government purposes, and whether taxes were paid on the purchase.

Of the 135 transactions tested, 11 were for restricted or prohibited items as defined by the OCFO Policies and Procedures. A waiver from the OMA Procurement Division was provided for two of the 11 transactions, which related to payment for a hotel banquet room; however, the remaining 9 items had no waiver or OMA approval prior to the purchase.

We also reviewed the purchases against OCP policy and identified six transactions that were in violation of the OCP purchase card policy restrictions. There was no evidence of a waiver or OMA approval for the purchase.

FINDINGS AND RECOMMENDATIONS

The remaining restricted and prohibited items purchased by category are detailed in Table 2:

**Table 2
Restricted and Prohibited Items for FYs 2013 and 2014
(By Category and Agency Policy)**

Category	Restricted/Prohibited Items		Amount
	Per OCFO Policy	Per OCP Policy	
Hotel Accommodations	2		\$ 593.97
Computers/Printers/Electronic equipment	6		5,214.70
Food/Beverages	1		1,928.40
Party/Paper goods		4	361.13
Food-related gift cards		2	613.91
Total Restricted/Prohibited	9	6	\$ 8,712.11
Taxes paid		13	502.44
Total Unallowable Purchases	9	19	\$ 9,214.55

Source: OIO

Hotel Accommodations

The OCP Purchase Card program provides three card types for enrollment: purchase card only, travel card only, and purchase with travel card. The OCFO issues ‘purchase only’ cards to its cardholders, although the OCFO policy allows for the purchase of long distance transportation (trains, airfare). OMA staff indicated that they do not issue the travel-enabled purchase cards in an effort to prevent the potential misuse of the cards. Additionally, the OCFO policy does not allow cardholders to use the purchase card for hotel accommodations.

Although there is a hotel restriction in the OCFO policy, the OCFO did not request JPMC to block the MCC’s related to hotels due to the need to occasionally reserve hotel conference rooms for conferences and retreats. In such cases, the cardholder must obtain a waiver from OMA.

The hotel accommodations reviewed were approved by the cardholder’s approving official, but there was no evidence that a waiver was obtained, and no indication that such purchases were discussed during ART meetings.

Computers/Electronic Equipment

The OCFO Policies and Procedures require that all electronic or computer-related purchases be made through the normal procurement process, subject to Office of the Chief Information Officer (OCIO) approval. The OCIO is required to review such purchases to ensure compliance with OCFO technical specifications and to provide for proper maintenance of the equipment. The purchase of this type of equipment outside of the OCIO does not ensure that the equipment meets

FINDINGS AND RECOMMENDATIONS

OCIO standards and such purchases would circumvent the OCIO policy as it relates to maintenance and service agreements.

Food/Beverages

The OCFO Policies and Procedures state that food is allowed only in limited circumstances *and* with prior approval from the OMA Executive Director; however, we found no evidence that this prior approval was obtained for the identified purchase in the test sample.

Party/Paper Goods

We found four transactions related to the purchase of party/paper goods. The OCFO Policies and Procedures do not specifically state that “party/paper goods” cannot be purchased; however, the OCP considers this to be a restricted purchase. Purchases should be for official government use only.

Food-related gift cards

The OCFO Policies and Procedure are silent to the purchase of gift cards. We contacted the OCP purchase card program manager who indicated that during the audit period, the purchase card policy did not prohibit the purchase of gift cards; however, it did prohibit the purchase of food-related gift cards. In these cases, a waiver is required. A waiver was not obtained for the purchase of food-related gift cards identified in our sample.

Taxes

We found cardholders paid taxes on purchases in 13 of the 135 transactions reviewed. The taxes on these transactions totaled \$502.44.

The DC Government purchase card provides a tax exemption on federal excise tax, District of Columbia Sales and Use Tax, including sales tax exemption in jurisdictions that maintain reciprocity with the District. The OCFO procedures are silent as it relates to taxes; however, OCP Purchase Card Policies and Procedures on standards of usage, Section F states, “... cardholders are not to use vendors who will not honor our tax exemption. If taxes are paid, the cardholders may be held liable to reimburse the government for said taxes paid.”

We found no evidence of cardholders requesting reversal from vendors for sales taxes paid, reimbursement by cardholders, receiving any warnings from the approving officials, nor the ART raising the issue of improper taxes paid during ART meetings.

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Payment of Prior Year Invoices

In our review of purchases that appeared to exceed the daily purchase limit, we did not find any cardholders that exceeded the purchase card limit without proper approval; however, it came to our attention that the purchase card was used to pay off outstanding prior year invoices in the current fiscal year. The OCFO procedures are silent as to the payment of prior year invoices. However, the OCP Policies and Procedures indicate that the purchase card cannot be used to pay prior year invoices.

RECOMMENDATIONS:

We recommend the Executive Director, OMA:

1. Restrict MCC's at JPMC relating to hotels and other restricted and prohibited categories.

Management Response (Recommendation 1):

OMA management concurred with the recommendation and will send written correspondence beginning FY 2016 to OCP requesting that the MCCs for hotel and other restricted and prohibited categories be unavailable for use by OCFO cardholders.

OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

2. Direct cardholders to strengthen purchase justifications included on the FO-1s and obtain the required signatures.

Management Response (Recommendation 2):

OMA management concurred with the recommendation and will be conducting mandatory refresher training in September 2015.

OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

3. Request cardholders obtain reversal of taxes from the vendor when taxes are paid on purchases.

Management Response (Recommendation 3):

OMA management concurred with the recommendation and has amended the current policy to reflect the requirement, and this will be emphasized during the refresher training in September 2015.

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OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

4. Enforce OCFO purchase card policy when violations of the purchase card procedures are identified without justification or explanation.

Management Response (Recommendation 4):

OMA management concurred with the recommendation and has already begun to send out written warning notices to cardholders during the 4th quarter of FY 2015.

OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

5. Direct the ART to monitor purchase card transactions to ensure restricted and prohibited items are not purchased.

Management Response (Recommendation 5):

OMA management concurred with the recommendation and has started a new purchase card transaction review process on a quarterly basis. In FY 2016, OMA will broaden the review scope and extend the opportunity for additional Approving Officials to attend the ART meetings.

OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

FINDINGS AND RECOMMENDATIONS

FINDING 2: INTERNAL CONTROLS OVER THE PURCHASE CARD PROGRAM

SYNOPSIS

Our audit determined that the internal controls in place over the OCFO purchase card program need to be strengthened. Specifically, we found cardholders did not comply with OCFO policies and procedures relating to maintaining supporting documentation; authorization for purchases was not always evident; cards were not properly safeguarded; and evidence of training was not maintained for all cardholders.

These conditions existed due to noncompliance with OCFO policy as it relates to the documentation requirements by the cardholders, and lack of monitoring and oversight of the documentation and purchasing requirements by the approving officials, and/or the OCFO Agency Program Coordinator. As a result, transactions were not properly supported or authorized, and restricted items were purchased.

DISCUSSION

The OIO evaluated the internal controls over the OCFO purchase card program to determine whether controls were operating effectively. To ensure compliance with documentation, purchasing and approval standards, we selected a sample of transactions for the audit period.

Sample Results

We selected a statistical sample¹ of 120 transactions/documents (out of 2,436 transactions) processed between October 1, 2012, and September 30, 2014. We obtained the supporting documentation and billing statements from the responsible cardholder for the transactions selected to determine the nature of the purchase, ensure that all required supporting documentation was provided and the transactions were authorized. For transactions selected that were made by employees no longer with the District, we requested supporting documentation from the Agency Program Coordinator.

¹ The statistical sample criteria were: confidence level 95%, precision level 5%, and auditor's expectation of error 0%.

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Our audit identified the following deficiencies shown in Table 3:

**Table 3
Results of the Review of Sample Transactions
FYs 2013 and 2014**

Attributes	Number of Exceptions			
	FY 2013	%	FY 2014	%
Sample Size	60		60	
Request to Purchase (FO-1) was not provided or incomplete?	18	30%	20	33%
Authorizing and/or Approving Official review and approval was not evident in the supporting package?	10	17%	15	25%
Amounts per the FO-1 did not agree to the JP Morgan statement?	2	3%	0	0%
Sample Documentation requested was not provided?	2	3%	0	0%
Split Purchase?	0	0	0	0

Source: OIO

Supporting Documentation

We found that supporting documentation was not properly maintained for purchase card transactions. The OCFO Policies and Procedures state that all transactions must be supported by required documentation and approved by an approving official. The required documentation includes:

- Request for Purchase (FO-1)
- Original Receipt
- Billing Statement

As noted above, over 30% of the transactions tested for FY 2013 and FY 2014 did not have the required FO-1 to confirm the purchase was for government purposes, and approved by an agency authorizing official. Additionally, supporting documentation for two FY 2013 transactions selected was not available. These purchases were made by cardholders who are no longer with the OCFO and the APC did not have the documentation.

Approval of Transactions

Cardholders must obtain approval from the agency authorizing official and/or agency head, or an authorized designee prior to making a purchase. The authorizing official for the transaction may or may not be the purchase card approving official. Approval is indicated by signature on the request for purchase (FO-1). Due to the large volume of missing FO-1's, OIO also accepted

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emails and signature on the billing statement as support for approvals. As noted above, 17% of the transactions tested for FY 2013 and 25% of the transactions tested for FY 2014 did not include evidence of proper approval prior to purchase.

Proof of Training

The OCP was unable to provide proof of training documentation for 5 of the 29 OCFO cardholders when requested. Proof of training should be maintained to document that all cardholders received the required training.

Agency Review Team (ART)

The ART should consist of five members who are responsible for monitoring transactions on a monthly basis to ensure compliance with the purchase card program procedures. During the audit period, the ART had three to four active members based on review of sign-in sheets. We found that the ART met monthly as indicated by the sign-in sheets provided; however, there was no evidence of a discussion on purchases. Our testing identified purchases of restricted and prohibited items and taxes paid on transactions (see Finding 1) during the audit period. However, there was no evidence that the ART discussed these ineligible purchases; that the cardholders were informed about the prohibited items; or that compliance with OCP and OCFO policies and procedures was enforced.

Safeguarding of the Purchase Cards

OIO randomly selected ten cardholders and visited their worksite to assess the safeguarding of their purchase cards. One cardholder maintained the card in a lockbox within the desk at all times. During work hours, nine of the ten cardholders kept the cards in a locked drawer at their desk. After work hours, four of the ten cardholders stated they carried the card with them outside the building.

RECOMMENDATIONS

We recommend the Executive Director, OMA:

6. Provide mandatory refresher training for cardholders and approving officials on the revised OCFO Policies and Procedures with a focus on documentation and approval standards.

Management Response (Recommendation 6):

OMA concurred with the recommendation and will conduct mandatory refresher training in September 2015 for all agency cardholders and approving officials.

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OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

7. Ensure the ART is fully staffed to perform a thorough review of transactions on a monthly basis, maintain meeting minutes to document the proceedings, and maintain a record of actions taken.

Management Response (Recommendation 7):

OMA management concurred with the recommendation and has been providing an agenda as well as recording the minutes for each meeting. In October 2015, the Approving Official for the Office of Finance and Treasury (OFT) will join the ART.

OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

8. Require each cardholder to safeguard the purchase card in a secure location in the office, preferably in a lockbox.

Management Response (Recommendation 8):

OMA management concurred with the recommendation and, in FY 2016, will require all cardholders to purchase a lockbox to house their purchase card. This requirement will be emphasized during the refresher training to be held this month.

OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

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FINDING 3: PURCHASE CARD POLICIES AND PROCEDURES

SYNOPSIS

In our review of the OCFO purchase card procedures, we found that the OCFO procedures were inconsistent with OCP procedures, did not provide sufficient guidance to cardholders, and did not address pertinent areas such as the ART meeting requirements and taxes paid on purchases.

As a result of the inconsistencies in the OCP and OCFO procedures, cardholders stated they were confused as to which policy to follow.

DISCUSSION

Policies and Procedures

The OCP issued the Purchase Card Program Policy & Procedures effective February 2009. These procedures are applicable to all participants in the program as noted in Part I.A.3 on Applicability, “The policy and procedures shall apply to all clusters, bureaus and components of the OCP and independent agencies of the District Government which elect and are determined by OCP to be eligible to participate in the program.” The procedures further state in Part II.A.2 General Agency Use Policy, “In addition to the requirements and limitations stated in this directive, each agency head, or his or her designee, may authorize additional conditions or limitations not in conflict with this directive, which may be necessary to accomplish the effective and economical use of the purchase card within the participating agency.”

The OCFO is an independent agency and has its own procurement authority. As noted, the OCP purchase card program allows independent agencies to develop their own procedures as long as they add to the program and do not reduce the compliance requirements.

In comparing the two sets of procedures, we noted the following differences as outlined in Table 4:

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**Table 4
Comparison of OCP and OCFO Procedures**

Subject Area	OCP	OCFO
Restricted Items	Lists High Risk MCC's that are blocked at the bank as a safeguard. (pp. 19-20)	<ul style="list-style-type: none"> • Food and Beverages (Food may be purchased with approval from the OMA Executive Director) • Travel-related expenses except transportation • Cell Phones and associated service plans • Computers, software and accessories • Personal electronics, television sets, DVD's electronic devices. (pp. 2-3)
Prohibited Items	<ul style="list-style-type: none"> • Items for personal use • Utility payments • Flowers • Party decorations • Entertainment stuff • Food or foodstuffs • Motor Vehicle Fuel. (p. 20)	<ul style="list-style-type: none"> • Goods or services for personal use including clothing and food. • Items for personal consumption • Lease on land or buildings • Utilities • Cash advances. (p. 2)
Record Retention	Three years after final payment (p. 16)	No timeframe specified. Maintain for "audit purposes." (p. 5)
Travel	Travel-related purchases (hotel, rental car, transportation) are restricted unless it is a travel enabled card. (p. 21)	Transportation (plane, train) may be purchased using the purchase only card; however, hotels are prohibited. (p. 3)
Card Closing Process	The CH must notify the APC and program office. The program office enters the closure in PASS. (pp. 17-18)	Follow OCFO normal exit procedures. Turn over documentation to the approving official and return the card to the purchase card coordinator. (p.9)
Tax Exemption	Reciprocal tax exempt agreement with surrounding states. If a vendor does not accept our tax exemption, the purchase should not be made. (p. 24)	Silent
ART Membership	The ART shall be comprised of the Agency Director or designee, Agency Program Coordinator, Approving Official(s), and the Designated Billing Official. Other participants may be designated by the agency director. (p. 12)	Referenced in the section related to roles of the OMA Contract staff. (p. 4)

FINDINGS AND RECOMMENDATIONS

**Table 4 (continued)
Comparison of OCP and OCFO Procedures**

Subject Area	OCP	OCFO
ART Roles & Responsibilities	<p>At a minimum, the ART shall have the following responsibilities:</p> <ul style="list-style-type: none"> a. overseeing all agency purchase card activities; b. reviewing reports of purchase card activity; c. ensuring that there exists complete and accurate documentation for all purchase card transactions, including standardized PaymentNet reports such as the Transaction Details Report, Transaction Audit, Unusual Activity Summary, Transaction Dispute Status Report, Declines Report, and cardholder original receipts; d. investigating instances of questionable purchases; e. enforcing PMO program sanctions when applicable; f. recommending disciplinary action to the PMO and Agency Director against agency card program participants for violations of the purchase card policies and procedures, in accordance with District personnel rules and regulations; g. ensuring that the PMO is notified of any changes in agency participant status (e.g., cardholders, APC, AO, DBO) via the APC; h. cooperating with the PMO, and audit and investigative authorities, with respect to identifying and mitigating waste, fraud or abuse related to the activities of the DC Purchase Card Program; and i. certifying (attesting to the accuracy and completeness of data in the report) and submitting reporting documents as required by the PMO. (p.12-13) 	<p>Review unusual OCFO account activities and follow-up with cardholders to resolve discrepancies. (p. 4)</p>

Source: OCP Purchase Card Policies and Procedures (issued February 2009) and OCFO Policies and Procedures (issued September 2010)

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION

We recommend that the Executive Director, OMA:

9. Revise the OCFO Policies and Procedures to provide clarity and consistency with OCP guidelines and address all aspects of the purchase card program.

Management Response (Recommendation 9):

OMA management concurred with the recommendation and is currently in the process of modifying the OCFO Purchase Card Policies and Procedures to be more aligned with those of the OCP for the start of the new fiscal year.

OIO Comment:

The planned corrective action is responsive and meets the intent of the recommendation.

EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Potential Benefit	Type of Benefit	Agency Reported Estimated Completion Date	Status²
1	Restrict MCC's at JPMC relating to hotels and other restricted and prohibited categories.	Internal Control	October 1, 2015	Open
2	Direct cardholders to strengthen purchase justifications included on the FO-1s and obtain the required signatures.	Internal Control	September 30, 2015	Open
3	Request cardholders obtain reversal of taxes from the vendor when taxes are paid on purchases.	Internal Control	September 30, 2015	Open
4	Enforce OCFO policy when violations of the purchase card procedures are identified without justification or explanation.	Internal Control	September 30, 2015	Open
5	Direct the ART to monitor purchase card transactions to ensure restricted and prohibited transactions are not purchased.	Internal Control	October 1, 2015	Open
6	Provide mandatory refresher training for cardholders and approving officials on the revised OCFO Policies and Procedures with a focus on documentation and approval standards.	Internal Control	September 30, 2015	Open
7	Ensure the ART is fully staffed to perform a thorough review of transactions on a monthly basis, maintain meeting minutes to document the proceedings, and maintain a record of actions taken	Internal Control	October 1, 2015	Open
8	Require each cardholder to safeguard the purchase card in a secure location in the office, preferably in a lockbox.	Internal Control	October 1, 2015	Open
9	Revise the OCFO Policies and Procedures to provide clarity and consistency with OCP guidelines, and address all aspects of the program	Internal Control	October 1, 2015	Open

² This column provides the status of the recommendation as of the report date. For final reports "Open" means management and OIO are in agreement on the action to be taken, but the action is not complete. "Closed" means that management advised OIO that they took the action needed to correct the condition and that action is complete. If a completion date was not provided the date of management's response was used. "Unresolved" means that management has neither agreed to the recommended action nor proposed a satisfactory alternative action to address the condition.

APPENDIX: OFFICE OF MANAGEMENT AND ADMINISTRATION RESPONSE


GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER



Office of Management & Administration

DATE: September 1, 2015

TO: Timothy Barry, Executive Director
Office of Integrity and Oversight (OIO)

FROM: Paul Lundquist 
Executive Director

SUBJECT: Response to the Draft Report on the Audit of Internal Controls over the OCFO
Purchase Card Program (OIO No.: 15-01-07- OCFO)

As the program area responsible for managing the OCFO Purchase Card Program, the Office of Management and Administration (OMA) has received and reviewed the Office of Integrity and Oversight (OIO) draft report on the Audit of Internal Controls over the OCFO Purchase Card Program. We concur with the audit findings on internal control weaknesses. We also concur with each of the nine recommendations presented in the report. Our detailed responses to the report recommendations follow:

1. **Restrict MCC's at JPMC relating to hotels and other restricted and prohibited categories.**

In an effort to avoid restricted and prohibited transactions from being applied against the purchase cards, the OCFO Director of Contracts will send a written correspondence to the DC Office of Contracting and Procurement (DC-OCP) requesting that the Merchant Category Codes (MCCs) for hotel and other restricted and prohibited categories be unavailable for use by OCFO cardholders. As noted in the report, in the event that hotel services other than lodging are needed, cardholders will need to obtain a waiver from OMA which will result in a request to DC-OCP to temporarily lift the restriction for that single purchase.

2. **Direct cardholders to strengthen purchase justifications included on the FOIs and obtain the required signatures.**

The OCFO Agency Program Coordinator (APC), OMA Accountant Lisa Bryant, will be conducting mandatory refresher training during September 2015. The training will emphasize the need for cardholders to strengthen the purchase justifications to include sufficient detail for a reviewer outside that immediate work unit to understand the nature of and the need for the purchase. The APC along with the Agency Review Team (ART) will enforce penalties for cardholders who fail to obtain proper signatures and upload necessary documentation as required by the policies and procedures.

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3. **Request cardholders obtain reversal of taxes from the vendor when taxes are paid on purchases.**

If taxes are inadvertently charged to the purchase card, we have always asked the cardholder to contact the vendors and have the charges reversed. To emphasize the importance of preventing these types of charges, we have amended the current policy to reflect the requirement that cardholders contact the vendors to have the charges removed. The ART will also monitor the accounts for tax charges and send out a written warning to those cardholders who repeatedly have taxes reflected on their accounts. This will also be emphasized during the refresher training in September 2015.

4. **Enforce OCFO purchase card policy when violations of the purchase card procedures are identified without justification or explanation.**

The ART monitors account activity to identify unjustified or unusual transactions. The APC has already begun to send out written warnings to cardholders for violations of the requirements of the purchase card program. During the 4th quarter of FY 2015, warning notices were sent to three (3) cardholders who failed to timely approve their transactions in the payment system. Timely intervention from the OCFO APC facilitated payment approvals in those three cases prior to the DC-OCP deadline.

5. **Direct the ART to monitor purchase card transactions to ensure restricted and prohibited items are not purchased.**

Upon assuming responsibility for the OCFO program in March 2015, the Agency Program Coordinator (APC) along with the ART members started a new purchase card transaction review process. On a quarterly basis, the ART performs a sample audit and review of all cardholder accounts to ensure compliance by both the cardholders and approving officials. We select a number of accounts for review to confirm that cardholder purchases are allowable and have sufficient supporting documentation including required signatures and approvals. In FY 2016, we will broaden our review scope and extend the opportunity for additional Approving Officials (AOs) to attend the ART meetings which should also assist in ensuring that unauthorized, restricted or prohibited items are not purchased.

6. **Provide mandatory refresher training for cardholders and approving officials on the revised OCFO Policies and Procedures with a focus on documentation and approval standards.**

As stated above, OMA will conduct mandatory refresher training during September 2015 for all agency cardholders and approving officials to reiterate the importance of following purchase card policies and procedures. Special emphasis will be placed upon documentation and approval requirements in addition to the specific topics referenced above.

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7. **Ensure the ART is fully staffed to perform a thorough review of transactions on a monthly basis, maintain meeting minutes to document the proceeding, and maintain a record of action taken.**

Among the 2015 changes that we have made to the ART meetings, the Agency Program Coordinator has been providing an agenda as well as recording the minutes for each meeting. The approving official for the Office of Finance and Treasury (OFT) will join the ART in October 2015. Additionally, the APC is maintaining a file of all actions taken against cardholders. Other ART actions will be recorded in the meeting minutes.

8. **Require each cardholder to safeguard the purchase card in a secure location in the office, preferably in a lockbox.**

In FY 2016, the APC will require all cardholders to purchase a lockbox to house their purchase card. Policies and procedures that currently require holding the card in a secure location will be updated to specify that the card be kept in a lockbox. This requirement will be emphasized during the refresher training to be held this month.

9. **Revise the OCFO Policies and Procedures to provide clarity and consistency with OCP guidelines, and address all aspects of the program.**

As stated above, we are currently in the process of modifying the OCFO Purchase Card Policies and Procedures to be more aligned with those of the DC-OCP for the start of the new fiscal year. We will add the DC-OCP restrictions not currently in the OCFO policies, and add other DC-OCP requirements that are currently not in the OCFO policies. Areas where the OCFO policies are more specific or more restrictive than the DC-OCP policies will remain.

The OMA staff members referenced have responsibility for implementing the above recommendations. OCFO Controller Michell Johnson is responsible for the implementation of recommendations where a specific staff person is not identified.

Thank you again for the work of you and your staff to produce this report which we believe will result in the strengthening of the OCFO Purchase Card Program. If you have any questions or need additional information regarding our comments, please do not hesitate to contact me at 202-442-6299 or Michell Johnson at 202-442-7120.