

POSTAL REGULATORY COMMISSION

OFFICE OF INSPECTOR GENERAL



FINAL EVALUATION REPORT

FOLLOW-UP REVIEW OF USE OF PRC PURCHASE CARDS (REPORT #12-01-A01)

**EVALUATION REPORT #19-01-A01
March 29, 2019**

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Introduction

Background

On December 10, 2012 the Postal Regulatory Commission Office of Inspector General (PRC-OIG) issued an audit report entitled *Use of PRC Purchase Cards* (Report Number 12-01-A01). We initiated this follow-up review to determine if the Postal Regulatory Commission (PRC) took appropriate actions to implement recommendations 1, 2 and 3 from this prior audit report.

The PRC uses the Postal Service's SmartPay® Purchase Card Program which is part of the General Services Administration's Government-wide Commercial Credit Card Program. The program provides charge cards to federal agencies and departments through contracts negotiated with bank providers. The Postal Service refers to this local buying card as the purchase card. The contractor for the card is U.S. Bank in Fargo, North Dakota, and the card company is VISA.

The PRC uses both eBuy2 program and the purchase card to acquire goods and services in carrying out its functions. Four PRC employees use purchase cards, each with a \$10,000 single purchase limit and a \$50,000 monthly purchase limit. There was also one credit card approving official (CCAO) who managed and monitored purchase card activity. The CCAO reports to the Secretary and Chief Administrative Officer whose duties include procurement.

The purchase card billing cycle closing date is the 18th of each month. The bank generates a statement of account for the cardholder and a report for the CCAO. Cardholders reconcile their purchase card activity with the statement of account monthly, and the CCAO must verify that each assigned cardholder's reconciliation was correctly performed using the bank-provided account detail and summary report.

Objective, Scope and Methodology

The objective of this follow-up review was to determine if recommendations 1, 2 and 3 made in our 2012 audit report were implemented.

To accomplish our objective, we:

- Interviewed PRC management on the status of recommendations 1, 2 and 3;
- Obtained and reviewed PRC Purchasing Policy, draft Acquisition Policy and Standard Operating Procedures (SOP) for Refreshments and Event-Related Expenses Policy dated September 5, 2013;
- Reviewed the Postal Service Purchase Card Policy AS-709;
- Reviewed PRC purchase card transactions;
- Identified high-risk purchases;

- Judgmentally selected PRC purchase card transactions and reviewed supporting documentations; and
- Reviewed purchase card training documents.

We conducted this review between February 6 and March 25, 2019 in accordance with the Council of the Inspectors General on Integrity and Efficiency's January 2012 *Quality Standards for Inspection and Evaluation*. We believe that the documentation obtained provides a reasonable basis for our conclusions based on our objectives.

Results

The follow-up review found that the PRC implemented recommendations 1, 2 and 3 that we identified in our prior audit report.

Recommendation 1: Implement controls to ensure cardholders adhere to the single purchase dollar amount limit.

The PRC's requisitions policies state that all requisitions and non-recurring purchases exceeding \$10,000 must be approved by the Chairman prior to procurement, and that the PRC should operate using good business practices.

The General Accounting Office defines split purchases as two or more transactions that would normally have been a single transaction but was split to circumvent the purchase limit or other legal or internal control limit. Splitting purchases to circumvent the \$10,000 single transaction purchase limit may lead to a higher risk for impropriety. Further, not following the proper analysis and approval process may prevent the PRC from obtaining the best value for these purchases.

Evaluation:

The PRC implemented single purchase card controls to include:

- Requiring prior approval by two administrative levels for purchase card transactions less than \$10,000
- Requiring the PRC Chairman's approval for purchase card transactions over \$10,000.

PRC policy requires purchase card training for all new cardholders prior to receiving the purchase card. In addition, annual and biennial purchase card training is required for the cardholders.

The actions taken by the PRC are sufficient to close this recommendation.

Recommendation 2: Implement comprehensive policies and procedures for purchase card use at the PRC. In the interim, adopt the Postal Service's Handbook AS-709.

The *PRC Purchasing Policy* effective 2009 and 2011 was limited regarding purchase card use and guidance and did not address critical internal controls.

We concluded that the policy lacked appropriate guidance over using the card. As a result, internal control weaknesses existed, placing the PRC at risk of significant financial loss. The Postal Service Handbook AS-709, *Purchase Card Policies and Procedures for Local Buying*, addresses these issues and provided a comprehensive set of policies and procedures governing the use and safeguarding of the purchase card. Further, PRC cardholders' initial purchase card training is based on the AS-709.

Evaluation:

On December 12, 2012, the PRC agreed to adopt Postal Service's Handbook AS-709 until comprehensive policies were in place. The PRC revised the Purchasing Policy on September 20, 2013 and implemented comprehensive policies and procedures for purchasing.

The actions taken by the PRC are sufficient to close this recommendation.

Recommendation 3: Develop a comprehensive policy and procedure addressing the use and purchase of refreshments to include food, beverages and alcohol.

The PRC did not have a policy for purchasing refreshments. Although PRC Form 68, *Request for Refreshments or Meals*, was available on the PRC's intranet, the form was not always used for justification and approval of such purchases.

During our audit, management issued a Standard Operating Procedure providing limited guidelines for the purchase of refreshments and meals.

Evaluation:

The PRC implemented an Event-Related Expenses Policy in 2013. This provided guidance to PRC employees on the purchase and payment of refreshments or meals for both PRC internal or external events.

The PRC issued *Purchase of Meals and Refreshments Policy* on September 25, 2018 which superseded the Event-Related Expenses, Serving Alcoholic Beverages at the Commission Facilities and New Commissioner Reception policies. According to this policy, PRC events should be in furtherance of the PRC's strategic plan, one of the PRC's statutory obligations, or related to the business and mission of the agency.

The actions taken by the PRC are sufficient to close this recommendation.