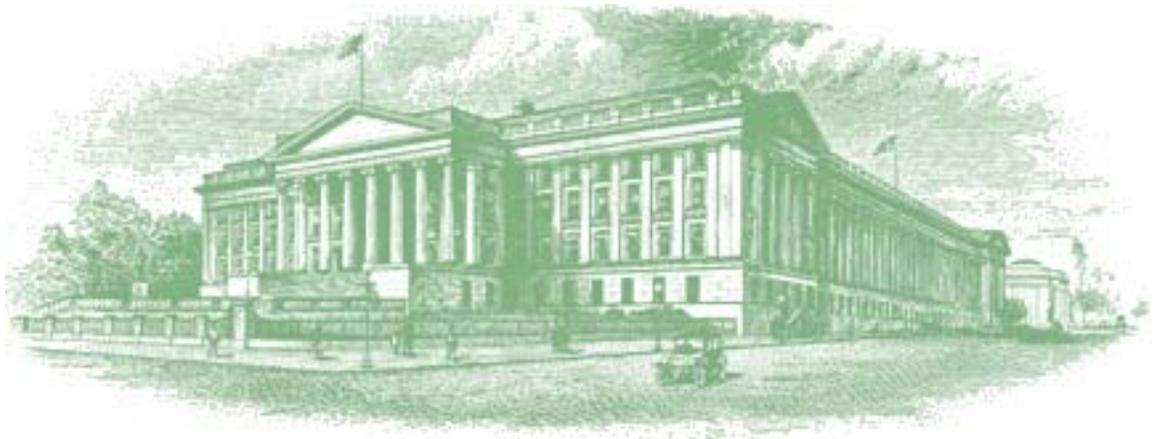




Audit Report



OIG-08-029

GENERAL MANAGEMENT: Treasury Has Taken Action to Improve Its Purchase Card Program (Corrective Action Verification on OIG-04-034)

January 29, 2008

Office of
Inspector General

Department of the Treasury

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Abbreviations

DCFO	Deputy Chief Financial Officer
DO	Departmental Offices
JAMES	Joint Audit Management Enterprise System
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of the Procurement Executive
TD	Treasury Directive

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*The Department of the Treasury
Office of Inspector General*

January 29, 2008

Peter B. McCarthy
Assistant Secretary for Management and Chief Financial Officer

This report presents the results of our review of corrective actions taken by Departmental Offices (DO) in response to the three recommendations we made in our June 2004 report on the DO's purchase card program.¹ These recommendations involve emphasizing the responsibilities of bureau procurement managers, assessing whether additional Departmental guidance is needed, and requesting all bureaus to assess the adequacy of their policies, procedures, and internal controls over their purchase card programs. Between September 2004 and October 2005, DO closed the recommendations in the Department of the Treasury's Joint Audit Management Enterprise System (JAMES). In closing the recommendations in JAMES, DO indicated that it had implemented, documented, and validated the corrective actions taken in response to the recommendations.

We found that the corrective actions taken by DO adequately responded to the recommendations. Additionally, the Department plans to update Treasury Directive (TD) 76-04, "Government Purchase Card Program," to provide the official guidance to the bureau management of purchase card programs.

Background

According to Office of Management and Budget (OMB) Circular A-50, revised, audit follow-up is an integral part of good

¹ *Summary Report on Weaknesses in Treasury Bureau Purchase Card Programs*, OIG-04-034 (June 18, 2004)

management and a shared responsibility of management and auditors.² Each agency, the circular states, should establish an audit follow-up system to assure the prompt and proper resolution and implementation of audit recommendations. Treasury requires bureau staff to ensure that (1) audit recommendations are resolved on a timely basis, (2) resolved audit recommendations (i.e., those agreed to by bureau management) are promptly acted upon and that progress with respect to proposed and ongoing corrective actions is adequately monitored, and (3) statistical information and other data are appropriately reported pursuant to all statutory and regulatory requirements.³

The status of audit recommendations is tracked in JAMES, an interactive system accessible to both the Treasury Office of Inspector General (OIG) and bureau management. JAMES contains tracking information on audit reports from their issuance through completion of all actions related to the findings and recommendations.

The Assistant Secretary for Management and Chief Financial Officer is responsible for ensuring the proper resolution of audit findings, recommendations, and implementation of corrective actions. The Deputy Chief Financial Officer (DCFO) is responsible for monitoring the status of resolution of audit findings and recommendations, as well as the implementation of corrective actions of both Treasury bureaus and DO.

According to the audit monitoring procedure of the DCFO's office, the DCFO's office regularly reviews the status of the resolution of audit findings and recommendations and the implementation of corrective actions both by Treasury bureaus and DO and issues quarterly reports. If the corrective action milestones are missed, the DCFO's office asks for justification, which, if provided, is entered in JAMES. If not provided, the old dates stay the same, and the bureau's responsible officer is accountable for the missed milestones. Before closing a recommendation, a staff member in the DCFO's office is to review supporting documentation regarding implementation of the corrective action.

² OMB Circular A-50, revised, "Audit Follow-up" (Sep. 29, 1982).

³ TD 40-03, "Treasury Audit Resolution, Follow-Up, and Closure" (Feb. 2, 2005).

Objective, Scope, and Methodology

The objective of this audit was to determine whether the Department had taken corrective actions responsive to the intent of our recommendations to improve controls and oversight over the Treasury bureau purchase card programs. This corrective action verification addresses the planned corrective actions associated with the three recommendations in our June 2004 report on the Treasury bureau purchase card programs.

We met with staff members from the DCFO's office to understand how recommendations in JAMES are monitored. We obtained supporting documents provided by the Office of the Procurement Executive (OPE) to review the implementation of the corrective actions. We queried JAMES to review the status of the recommendations.

We conducted our review during August 2007 and September 2007 at DO in Washington, D.C., in accordance with generally accepted government auditing standards.

Corrective Actions Taken by the DO

Prior Recommendation 1. The Assistant Secretary for Management and Chief Financial Officer should formally reiterate and emphasize to all bureau procurement managers their responsibilities in properly administering their purchase card programs.

In response to Recommendation 1, the Acting Chief Financial Officer sent a memorandum, dated August 4, 2004, to bureau heads to emphasize responsibilities associated with managing the purchase card program and the need for effective internal controls. The memorandum contained several attachments one of which listed all the responsibilities and activities of a highly effective purchase card program. We believe that the Department addressed the intent of our recommendation.

Prior Recommendation 2. The Assistant Secretary for Management and Chief Financial Officer should assess whether additional Departmental guidance is needed to clarify what constitutes improper card usage, the impropriety of split purchases, the role of approving officials, and adequate separation of duties.

In response to Recommendation 2, OPE developed a purchase card management plan in accordance with OMB requirements.⁴ The plan contains the management controls, policies, and procedures for the proper use of the government purchase card. It specifies the roles and responsibilities of the key players for oversight and management, including agency or organization program coordinators and approving officials, who have a role in assuring proper card use, including identification of split purchases and other improprieties. The plan was issued on July 10, 2006, and distributed to Treasury bureaus.

We believe that DO addressed the intent of our recommendation. We were also told that OPE plans to update TD 76-04 during fiscal year 2008 to incorporate the purchase card management plan.

Prior Recommendation 3. The Assistant Secretary for Management and Chief Financial Officer should request that bureau heads assess the adequacy of their policies, procedures, and internal controls over their respective purchase card programs and implement changes as necessary to ensure compliance with Departmental guidance.

In response to Recommendation 3, the Acting Chief Financial Officer requested, in the August 4, 2004 memorandum discussed earlier, bureau responses as to the adequacy of their policies, procedures, and internal controls over their purchase card programs and on cardholder compliance with policies and procedures. A compliance checklist was provided to the bureaus to facilitate their assessments of their purchase card programs. All bureaus responded to the request and reported the results to OPE. Based on

⁴ Chapter 2 of Appendix B to OMB Circular A-123

our review of the responses, it appears that the bureaus performed the assessments in accordance with the Department's request. We believe that DO addressed the intent of our recommendation.

Management Response

In a written response to our draft report, (Appendix 1), the Assistant Secretary for Management and Chief Financial Officer noted that we found the corrective actions taken by the Department adequately addressed the recommendations.

* * * * *

We would like to extend our appreciation for the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me at (202) 927-5400. The major contributors to this report were Michael Maloney, Audit Director, and Myung Han, Management Analyst.

Marla A. Freedman
Assistant Inspector General for Audit

Appendix 1
Management Response



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

JAN 03 2008

MEMORANDUM FOR MARLA A. FREEDMAN
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Peter B. McCarthy
Assistant Secretary for Management and
Chief Financial Officer

A handwritten signature in blue ink, appearing to read "P. McCarthy".

SUBJECT: Draft Audit Report – Treasury Has Taken Action to Improve Its
Purchase Card Program (Corrective Action Verification on
OIG-04-034)

I am responding to your memorandum of December 5, 2007, transmitting the draft audit report on the purchase card program for review and comment. I am pleased to note in your findings that the corrective actions taken by the Department adequately addressed OIG's recommendations.

Thank you for the opportunity to review the draft report.

cc: Thomas Sharpe, Senior Procurement Executive
Elaine Munroe, Acting Assistant Director for Internal Control

Department of the Treasury

Assistant Secretary for Management and
Chief Financial Officer
Deputy Chief Financial Officer
Office of the Procurement Executive
Office of Strategic Planning and Performance Management
Office of Accounting and Internal Control

Office of Management and Budget

OIG Budget Examiner