

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF
PURCHASE CARD TRANSACTIONS
AT THE
OFFICE OF UNIFIED COMMUNICATIONS**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



February 12, 2009

Janice Quintana
Director
Office of Unified Communications
Unified Communications Center
2720 Martin Luther King, Jr. Avenue, S.E.
Washington, D.C. 20032

David P. Gragan, CPPO
Chief Procurement Officer
Office of Contracting and Procurement
441 4th Street, N.W., Suite 700S
Washington, D.C. 20001

Dear Ms. Quintana and Mr. Gragan:

Enclosed is our final report summarizing the results of the Office of the Inspector General's (OIG) Audit of Purchase Card Transactions at the Office of Unified Communications, report number OIG No. 08-1-10AA.

Our report contains eight recommendations for necessary actions to correct the described deficiencies. We directed five recommendations to the Office of Unified Communications (OUC) and three recommendations of the Office of Contracting and Procurement (OCP). We received responses to the draft report from OUC and OCP dated January 6, 2009, and January 14, 2009, respectively. The full texts of OUC and OCP responses are included at Exhibits C and D.

We consider the actions taken by OUC to be responsive for recommendations 1, 2, and 3. However, OUC did not concur with recommendations 4 and 5. OCP partially concurred with recommendation 6, concurred with recommendation 7, and did not concur with recommendation 8. Thus, we request OUC and OCP reconsider their responses and provide revised or updated comments to recommendations 4, 5, 6 and 8 within 60 days from the date of this final report.

If you have questions, please contact William J. DiVello, Assistant Inspector General for Audit, at (202) 727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

CJW/ws

Enclosure

cc: See Distribution List

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AUDIT OF PURCHASE CARD TRANSACTIONS AT THE OFFICE OF UNIFIED COMMUNICATIONS

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EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of Inspector General (OIG) has completed an audit of the purchase card transactions at the Office of Unified Communications (OUC). The audit was initiated in response to concerns raised by the District of Columbia Council Chairman for the Committee on Public Safety and the Judiciary and as requested by the OUC Director.

The OUC budgets for fiscal years (FYs) 2007 and 2008 were \$32 million and \$46 million, respectively. For FY 2007, OUC total procurements were about \$3.4 million of which \$153,000 were made by purchase cards.

The audit focuses on review and analysis of more than 360 purchase card transactions with a total cost of \$400,000 for the period October 1, 2006, to April 30, 2008.

CONCLUSIONS

OUC and the Office of Contracting and Procurement (OCP) need to improve controls over management of the D.C. Purchase Card Program. The program was not adequately managed because OUC either circumvented existing internal controls or failed to establish internal control procedures to properly justify card purchases and adequately document the receipt of purchases by authorized personnel. OUC also did not obtain competition as required by D.C. Municipal Regulations (DCMR) Title 27. Furthermore, OCP did not perform sufficient oversight for purchase card transactions as required by OCP Procurement Policy and Procedure Directive 9000.01 (OCP Directive 9000.01). As a result, OUC spent \$154,000 on unjustified or questionable expenditures. In addition, OUC spent \$144,000 in card purchases with no assurance that prices were fair and reasonable. We also concluded that OUC used its \$100,000 emergency purchase card authority on non-emergency expenditures, such as materials and supplies for the childcare development center, employee uniforms, and chair cleaning and maintenance.

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT ACTIONS

We directed five recommendations to the OUC Director and three recommendations to the OCP Chief Procurement Officer. We believe that these recommendations are necessary to correct the deficiencies noted in this report. The recommendations, in part, center on:

- Ensuring that the purchase cardholder obtains the required price quotations for procurements to ensure that prices are fair and reasonable;
- Establishing procedures to ensure that requests for emergency purchase card authority are fully justified and used only for emergency purposes;

EXECUTIVE DIGEST

- Eliminating questionable purchases, such as chair cleaning services;
- Limiting the emergency purchase card authority to a 3-month period in order to minimize the possibility of abuse; and
- Establishing procedures to ensure immediate deactivation of purchase cards accessible to all former employees.

A summary of the potential benefits resulting from the audit is shown at Exhibit A.

MANAGEMENT RESPONSES AND OIG COMMENTS

Our report contains eight recommendations for necessary actions to correct the described deficiencies. We directed five recommendations to OUC and three recommendations to OCP.

We received responses to the draft report from OUC and OCP dated January 6, 2009, and January 14, 2009, respectively. The full texts of OUC and OCP responses are included at Exhibits C and Exhibit D.

We consider the actions taken by OUC to be responsive for recommendations 1, 2, and 3. However, OUC did not concur with recommendations 4 and 5. OCP partially concurred with recommendation 6, concurred with recommendation 7, and did not concur with recommendation 8. Thus, we request OUC and OCP reconsider their responses and provide revised or updated comments to recommendations 4, 5, 6, and 8 within 60 days from the date of this final report.

INTRODUCTION

BACKGROUND

The D.C. Purchase Card Program (Program) was established by the Office of Contracting and Procurement (OCP) to increase the efficiency of District government programs by reducing paperwork and administrative costs for high volume, smaller dollar value purchases. OCP is responsible for overall administration and oversight of the Program and delegates management of the Program to the heads of participating District government agencies and departments. The directors of participating agencies/departments in turn, are responsible for ensuring compliance with procurement rules and regulations, and developing internal control procedures to ensure the efficient and economic use of purchase cards.

The Office of Unified Communications (OUC) participated in the D.C. Purchase Card Program and obtained a purchase card with a monthly limit of \$10,000. During FY 2007, OCP, based on OUC's request, increased the limit of the purchase card to \$100,000 a month for 6 months to meet emergency requirements.

OUC provides centralized, District-wide coordination and management of public safety voice radio technology and other public safety wireless communication systems and resources. The OUC:

- Develops and enforces policy directives and standards regarding public safety and non-public safety communications; operations and maintenance of public safety and non-public safety voice radio technology; management of the building facilities supporting public safety voice radio technology and call center technology; and
- Reviews and approves all agency proposals, purchase orders, and contracts for the acquisition of public safety voice radio technology and call center technology systems, resources, and services.

In addition to fielding life-dependent calls, the OUC oversees all land and mobile radio systems tied to the response network.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to determine whether OUC: (1) managed purchase card transactions in an efficient, effective, and economical manner; (2) complied with requirements of applicable laws, regulations, policies, and procedures; and (3) implemented adequate internal controls to safeguard against fraud, waste, and abuse. Specifically, we reviewed purchase card transactions to ensure that the transactions were properly justified and goods and services were received by authorized personnel. Additionally, we tested OUC compliance with DCMR Title 27 and OCP Directive 9000.01.

INTRODUCTION

Our audit covered 363 purchase card transactions that cost \$400,000 for the period October 1, 2006, to April 30, 2008. A summary of total monthly transactions for the audit period is provided at Exhibit B. To obtain information relating to OUC purchase card transactions, we interviewed the purchase cardholders at OUC and the program specialist for the Program at OCP.

We analyzed credit card purchase transactions for the period between October 2006 and April 2008. We performed tests to ensure separation of duties, proper authorizations for transactions, security of credit cards number and bank accounts, and proper documentation. In addition, we performed cost analyses to determine appropriateness and reasonableness of goods and services ordered with the purchase cards. We relied on computer-processed data provided to us, which detailed information on OUC purchase card transactions for the period of our review. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that the hard copy documents we reviewed were reasonable and generally agreed with the information contained in the computer-processed data. We did not find errors that would preclude use of the computer-processed data to meet the audit objectives or that would change the conclusions in this report.

We also performed a limited benchmarking of specific expenditures at OUC against the emergency 911 call centers of Virginia's Fairfax County, as well as Prince George's County, Montgomery County, and Baltimore County in Maryland.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides a reasonable basis for our findings and conclusions 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.

FINDING AND RECOMMENDATIONS

| |
|--------------------------------------|
| FINDING: USE OF PURCHASE CARD |
|--------------------------------------|

SYNOPSIS

OUC did not manage its purchase card program in an effective and efficient manner. This condition occurred because OUC either did not always establish internal controls or circumvented existing internal controls needed to properly justify card purchases and document the receipt of purchases. OUC also did not obtain competition for card purchases exceeding \$10,000 as required by DCMR Title 27. Furthermore, OCP did not perform sufficient oversight for purchase card transactions as required by OCP Directive 9000.01. As a result, \$154,000 or 39 percent of the \$400,000 purchases made between October 2006 and April 2008 were either unjustified or questionable. In addition, OUC spent \$144,000 for card purchases with no assurance that prices were fair and reasonable.

DISCUSSION

OCP Directive 9000.01 (effective February 16, 2004) establishes policies and procedures for the use, management, and operation of the District's Purchase Card Program. OCP is responsible for monitoring, overseeing, reviewing, and ensuring that Program participants comply with OCP Directive 9000.01. In addition, OCP is responsible for ensuring the security of purchase card numbers and bank accounts.

OCP delegated overall management of the D.C. Purchase Card Program to the heads of participating District government agencies and departments. The OUC Director is responsible for ensuring proper management and oversight of agency purchase card activities. The OUC Director is also responsible for ensuring compliance with procurement rules and regulations, developing internal control procedures to provide efficient use of the purchase card, and prohibiting unauthorized use of purchase cards by cardholders.

Internal Controls. OUC either did not always establish internal controls or circumvented existing internal controls needed to properly justify card purchases and document the receipt of purchases. We found that OUC lacked the basic components of internal control such as complying with procedures for adequate documentation and developing a system that separates the duties of ordering and receiving purchases. Lack of effective internal control is a risk factor that should be addressed immediately. Based on our observations and analysis, we identified the following aspects of ineffective internal controls at OUC.

FINDING AND RECOMMENDATIONS

Documentation. To document the justification of a purchase, OUC developed a Supply Request Form to be signed by managers and submitted to the purchase cardholder when requesting goods and services. We reviewed 363 purchase card transactions for the period October 2006 to April 2008 and found that the Supply Request Form was not used for 354 or 98 percent of the transactions. During our audit, we identified the following unjustified or questionable expenditures:

Childcare Materials and Supplies. OUC spent \$83,654 on materials and supplies for the childcare development center attached to the OUC building. This amount represents 21 percent of total card purchases for the period between October 2006 and April 2008. In addition, we found that the childcare development center was furnished and ready for use since September 2007, but was never used.

Chair Cleaning and Maintenance. OUC spent \$10,500 on cleaning and maintaining chairs at the 911-call center. This amount includes monthly payments of \$1,250 to one vendor and \$775 to another vendor. The cleaning and maintenance services are for 50 chairs that were purchased new 2 years ago at a cost of \$19,500 without obtaining competition. We contacted public safety communication centers at several counties in Maryland and Virginia to obtain information about their chair cleaning and maintenance spending patterns at emergency 911-call centers. The counties were Virginia's Fairfax County, and Maryland's Prince George's, Montgomery, and Baltimore Counties. Our review determined that none of the counties had chair cleaning contracts. In addition, all of the 911-call centers contacted stated that the call takers clean their own chairs and that the county employees repair broken chairs.

Furthermore, OUC officials stated that the chair-cleaning/maintenance contract for \$1,250 a month would be continued for an additional 12-month period. The following table shows a comparison of the cost of chair cleaning and maintenance versus the purchase cost.

Table 1: Purchase Price and Cleaning Costs for Chairs

| Total cleaning and maintenance costs for 50 chairs/year (\$1,250 x 12 months) | Cleaning and maintenance costs per chair/year | Purchase cost per chair | Total purchase cost for 50 chairs (\$390 x 50) |
|---|---|-------------------------|--|
| \$15,000 | \$300 | \$390 | \$19,500 |

We concluded that OUC inefficiently spends \$300 a year to clean each chair with an original cost of \$390. The OUC Director should eliminate this cleaning service immediately to save the District \$15,000 per year.

FINDING AND RECOMMENDATIONS

Employee Uniforms. OUC spent \$59,365 on employee uniforms. These uniforms include shirts, pants, sweaters, and winter jackets. The call takers previously wore uniforms when they worked at the Metropolitan Police Department (MPD) and the Fire and Emergency Medical Services (FEMS), and continued to wear them when they moved to OUC. We believe that OUC could save money by not purchasing uniforms for the call takers who work inside the building with no face-to-face contact with the public.

Employee Leave Forms. OUC spent \$1,085 on employee leave forms. OUC could save that money by simply posting the forms to a shared drive on the OUC computer network for all employees to print when they take sick or annual leave.

In addition, we found that OUC did not have supporting documents that purchases were received by authorized personnel. We randomly selected eight transactions and requested the vendors to provide the supporting documents that purchases were received by authorized personnel. Although OUC and the vendors could not provide documents to show that goods and services were received by authorized personnel, we identified that the purchases were received. During our audit, OUC took immediate corrective action and developed a new Supply Request Form that requires an authorized signature to justify purchases and receipt of goods and services. However, the OUC Director still needs to establish procedures to verify that OUC personnel use the new form to justify and receive purchases made with the purchase card.

Our review also showed that OUC requested OCP to increase the purchase card limit to \$100,000 per month for 6 months to meet emergency requirements and avoid major system failure. We found that OUC used the \$100,000 emergency authority on non-emergency expenditures such as childcare materials and supplies, chair cleaning services, and employee uniforms. In addition, we found that the most OUC spent on emergency expenditures in 1 month was \$16,898, which raises questions about the justification for increasing the limit to \$100,000 and the duration of that increase. We concluded that the OUC Director needs to establish procedures to ensure that the request for emergency purchase card authority is fully justified and used for emergency purposes. Furthermore, it is recommended that OCP limit the emergency purchase card authority to a 3-month period in order to minimize the possibility of abuse.

Separation of Duties. OUC had not developed a system that separates the duties of ordering and receiving purchases. Separation of duties is a basic internal control procedure to prevent fraud. Our review of 363 purchase card transactions made between October 2006 and April 2008 showed that the person who ordered goods and services also received them. OUC officials stated that when materials and supplies arrive, the cardholder receives and

FINDING AND RECOMMENDATIONS

delivers them to the requester. Lack of separation of duties is a risk factor that OUC should eliminate immediately.

Competition. OUC did not obtain three price quotations for procurements as required by 27 DCMR § 1802.1. DCMR Title 27 requires OUC to obtain three verbal quotations when purchasing goods and services that cost between \$10,000 and \$25,000, and three written quotations for procurements that cost more than \$25,000.

Of the 363 purchase card transactions totaling \$400,000 for the period October 2006 to April 2008, OUC should have obtained verbal or written quotations for 5 transactions that cost \$144,000. Our review showed that OUC did not obtain the required quotations for these five transactions. As a result, there is no assurance that prices paid by OUC for goods and services that cost \$144,000 were fair and reasonable.

OCP Oversight. Our review showed that, as of October 2008, OCP did not deactivate a former MPD employee's access to 18 purchase card accounts online even though the employee left in May 2008. OCP personnel stated that they received a memo from MPD regarding the employee's access. That employee currently works for OUC. We believe that a person can easily commit fraud by knowing a purchase card number and other information about an authorized cardholder. Lack of security of credit card numbers and bank accounts is a high risk factor that OCP should eliminate immediately.

Furthermore, OCP did not perform sufficient oversight for OUC purchase card transactions as required by OCP Procurement Policy and Procedures Directive No. 9000.01. The Purchase Card Program Specialist at OCP stated that their responsibility is limited to just receiving the purchase card monthly report from each agency/department without any further analysis or review. OCP officials also stated that they do not have time to perform any monitoring or oversight for purchase card transactions.

RECOMMENDATIONS

We recommend that the Director of OUC:

1. Establish internal control procedures to verify that OUC personnel use the new supply request form to justify and receive goods and services purchased with the purchase cards.
2. Establish internal control procedures to ensure separation of duties between the persons who order and the persons who receive goods and services purchased with the purchase cards.

FINDING AND RECOMMENDATIONS

3. Direct that purchase cardholders obtain three vendor quotes as required by 27 DCMR §1802.1.
4. Establish procedures to ensure that requests for emergency purchase card authority are fully justified and used only for emergency purposes.
5. Take action to eliminate questionable purchases such as chair cleaning services.

We recommend that the Chief Procurement Officer direct Purchase Card Program officials to:

6. Establish a periodic review system of requiring sampling of purchase card transactions for each agency/department to ensure that purchase cards are used in an efficient and economical manner.
7. Limit emergency purchase card authority to a 3-month period in order to minimize the possibility of abuse.
8. Establish procedures to ensure immediate deactivation of purchase card accessibility for all former employees or employees who change their responsibilities related to purchase cards.

MANAGEMENT RESPONSES AND OIG COMMENTS

Management Response (Recommendation 1)

OUC concurred with this recommendation. OUC has established a supply request form that is now part of standard operating procedures for the small purchase of goods and services.

OIG Comment

We consider OUC's action to be responsive to our recommendation.

Management Response (Recommendation 2)

OUC concurred with this recommendation. OUC requires the requestors to sign that they received the goods and services as noted within the supply request form.

OIG Comment

We consider OUC's action to be responsive to our recommendation.

FINDING AND RECOMMENDATIONS

Management Response (Recommendation 3)

OUC concurred with this recommendation. OUC requires requestors to obtain three vendor quotes to execute a purchase. Whenever possible, it is preferable that quotes are obtained from Local and Small Disadvantaged Business Enterprises.

OIG Comment

We consider OUC's action to be responsive to our recommendation.

Management Response (Recommendation 4)

OUC Director did not concur with the recommendation and stated that OUC was granted an "emergency" increase in purchase card authority because of a significant increase of purchase requests when OUC moved to a new facility.

OIG Comment

OUC's response did not meet the intent of our recommendation. We do not agree with OUC's statement that the emergency purchase card was requested because OUC moved to a new facility. Our review of OUC's request for "Increasing Purchase Card Authority," dated March 1, 2007, stated that OUC was having some systematic issues with equipment at the 911 communications center, and needed immediate emergency procurement authority to avoid major system failure. Although the request was to purchase equipment to avoid major system failure, we found that the most OUC spent on equipment in 1 month was approximately \$16,000 (see page 5 of this report). We request OUC management to revise its response to this recommendation.

Management Response (Recommendation 5)

OUC did not concur with this recommendation. OUC stated that its chairs should be cleaned on a regular basis for the overall quality of the work environment and proper hygiene. Further, OUC is reviewing the acquisition of new chairs made of material that is easier to clean by operations employees. This may eliminate the need for future cleaning services

OIG Comment

OUC's response did not meet the intent of the recommendation. We agree with OUC that the chairs should be cleaned on a regular basis, but we do not agree with spending \$15,000 a year on cleaning services that can be performed by employees. As stated in our report, the call takers in four neighboring counties clean their own chairs. In addition, we do not agree

FINDING AND RECOMMENDATIONS

that OUC should spend additional funds to replace chairs that are relatively new. The chairs currently used by OUC were purchased only 2 years ago. We request OUC management to revise its response on the recommendation.

Management Response (Recommendation 6)

OCP's response partially addresses the intent of the recommendation. OCP stated that the OCP Program Management Office (PMO) is not responsible for auditing/reviewing card transactions or ensuring the transactions are appropriate. OCP established the Office of Procurement Integrity and Compliance (OPIC) to perform periodic review for purchase card transactions.

OIG Comment

OCP's response is noted and partially meets the intent of the recommendation. We agree with OCP that the OPIC review function is to identify waste, fraud, and abuse in the Purchase Card Program. However, the full intent of the recommendation was to ensure that management (PMO) is managing and administering the Program effectively and efficiently by performing systematic reviews of purchase card transactions. Management controls serve as the first line of defense in safeguarding assets and detecting errors and fraud. Systematic management reviews of operations help provide reasonable assurance that the objectives of the agency are being achieved. Accordingly, we request OCP revise its response to this recommendation relative to its PMO operations.

Management Response (Recommendation 7)

OCP concurred with the recommendation. OCP stated that increases in purchase card authority should be limited to specific and tight frames. In addition, OCP stated that the only agency with "emergency purchase card" authority is OCP, and the \$100,000 purchase card authority that OUC had was just an increase in the purchase card limit.

OIG Comment

We consider OCP's action to be responsive to our recommendation. However, we request OCP to specify a reasonable and tight timeframe for increased purchase card authority that can be verified by a third party.

Management Response (Recommendation 8)

OCP did not concur with the recommendation. OCP stated that the recommendation is not necessary since the former employee of MPD has access to the last four digits of the card number only and to very limited information on cardholder activities for other public safety

FINDING AND RECOMMENDATIONS

cluster agencies. In addition, OCP has clear procedures that “upon being informed of a cardholder status change,” the PMO will close the cardholder account and deactivate the employee’s access to the online bank account within 2 business days.

OIG Comment

OCP’s response did not meet the intent of the recommendation. We agree that OCP has a procedure to deactivate a purchase card within 2 business days upon receiving information of cardholder status change. However, the intent of our recommendation was to ensure that OCP complies with this procedure. We disagree with the OCP statement that the online bank statement shows only the last four digits of the account number. Our audit information disclosed that the 16-digit bank account appears on the online bank statements. In addition, the former MPD employee kept her access to 18 purchase card online bank accounts for 5 months after she left MPD, well beyond the 2 business days. We request OCP revise its response to the recommendation.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

| Recommendations | Description of Benefit | Amount and Type of Benefit | Agency Reported Estimated Completion Date | Status¹ |
|------------------------|---|-----------------------------------|--|---------------------------|
| 1 | Internal Control. Ensures the use of the new supply request form. | Non-Monetary | 1/6/2009 | Closed |
| 2 | Internal Control. Establishes internal control procedures to ensure separation of duties. | Non-Monetary | 1/6/2009 | Closed |
| 3 | Compliance. Obtains competition for purchase card procurements. | Non-Monetary | 1/6/2009 | Closed |
| 4 | Economy. Establishes procedures to ensure that the request for emergency purchase card authority is fully justified. | Non-Monetary | To Be Determined | Unresolved |
| 5 | Economy. Eliminates questionable purchases such as chair cleaning services. | \$15,000 | To Be Determined | Unresolved |
| 6 | Program Results and Economy. Establishes a periodic review system of purchase card transactions. | Non-Monetary | To be Determined | Unresolved |
| 7 | Program Efficiency. Limits the emergency purchase card authority to a 3-month period. | Non-Monetary | 1/14/2009 | Closed |

¹This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG agree on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. If a completion date was not provided, the date of management’s response is used. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS
RESULTING FROM AUDIT**

| Recommendations | Description of Benefit | Amount and Type of Benefit | Agency Reported Estimated Completion Date | Status¹ |
|------------------------|---|-----------------------------------|--|---------------------------|
| 8 | Program Efficiency. Establishes procedures to ensure immediate deactivation of purchase cards. | Non-Monetary | To Be Determined | Unresolved |

**EXHIBIT B: SUMMARY OF TOTAL MONTHLY PURCHASE CARD
 TRANSACTIONS FOR THE AUDIT PERIOD**

| MONTH | AMOUNT OF TRANSACTIONS | BALANCE TO-DATE |
|----------------|-----------------------------------|------------------------|
| October 2006 | \$7,853.61 | \$7,853.61 |
| November 2006 | 8,361.52 | 16,215.13 |
| February 2007 | 9,292.40 | 25,507.53 |
| March 2007 | 19,905.12 | 45,412.65 |
| May 2007 | 20,730.72 | 66,143.37 |
| June 2007 | 66,269.97 | 132,413.34 |
| July 2007 | 11,827.67 | 144,241.01 |
| August 2007 | 11,927.20 | 156,168.21 |
| September 2007 | 2,174.00 | 158,342.21 |
| October 2007 | 171,911.24 | 330,253.45 |
| November 2007 | 14,222.53 | 344,475.98 |
| December 2007 | 17,632.83 | 362,108.81 |
| January 2008 | 9,626.22 | 371,735.03 |
| February 2008 | 8,857.08 | 380,592.11 |
| March 2008 | 9,888.19 | 390,480.30 |
| April 2008 | 9,763.52 | 400,243.82 |

EXHIBIT C: OUC RESPONSE TO DRAFT REPORT

Charles J. Willoughby

1

GOVERNMENT OF THE DISTRICT OF COLUMBIA Office of Unified Communications



January 6, 2009

VIA EMAIL & US MAIL

Mr. Charles J. Willoughby
Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Re: OIG No.08-1-10AA

Dear Mr. Willoughby:

The Office of Unified Communications (OUC) has received the draft report summarizing the results of the Office of the Inspector General's (OIG) Audit of Purchase Card Transactions at the OUC. In the draft audit, OIG makes five recommendations directly to OUC and three recommendations to OCP. OUC's responses to these recommendations are detailed below. OCP has provided OUC its responses to the OIG's recommendations, which are also included below.

Recommendation 1: Establish internal control procedures to verify that OUC personnel use the new supply request form to justify and receive goods and services purchased with the purchase cards.

OUC Response: OUC has established a supply request form that is now part of standard operating procedures for the small purchase of goods and services \$2,500 or less. The OUC has two purchase cardholders that require staff to complete the supply request form, obtain three vendor quotes, and obtain the signature of one of five program managers, to execute a purchase. Upon receipt of the goods and/or services, the requestor must sign that the item was received. All of this documentation, along with sales receipts and/or invoices, is part of the monthly reconciliation process by the Agency Review Team (ART). The ART is made up of the Agency Director, Agency Program Coordinator, and Cardholders.

EXHIBIT C: OUC RESPONSE TO DRAFT REPORT

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Recommendation 2: Establish internal control procedures to ensure separation of duties between the persons who order and the persons who receive goods and services purchased with the purchase cards.

OUC Response: In most instances, orders that are placed by the cardholders can be sent directly to requestors. However, in some cases the goods are sent directly to cardholder. To ensure that “checks and balances” exists, the requestor is always required to sign that they received the goods and services as noted within the supply request form.

Recommendation 3: Direct that purchase cardholders obtain three vendor quotes as required by 27 DCMR §1802.1.

OUC Response: As part of standard operating procedures for the purchase of all goods and services, OUC requestors must receive three vendor quotes to execute a purchase. Whenever possible, it is preferable that quotes are obtained from Local Small Disadvantaged Business Enterprises.

Recommendation 4: Establish procedures to ensure that requests for emergency purchase card authority are fully justified and used only for emergency purposes.

OUC Response: During the time scope of this audit the OUC consolidated several government functions and moved to a new “state of the art” operations facility with Child Care Development Center. As a result primarily in FY07, we were inundated with purchase requests ranging from hundreds to hundreds of thousands of dollars. OCP granted an “emergency” increase in purchase card authority to the OUC in an effort to meet the increased demand. By doing so, OCP was able to focus on the larger procurement request, while enabling OUC to make small to medium requests to fulfill its mission. At this time, the OUC does not have a need for “emergency” purchase card authority. OCP is meeting OUC’s procurement demand for all request \$2,500 or more.

Recommendation 5: Take action to eliminate questionable purchases such as chair cleaning.

OUC Response: The OUC disagrees with the recommendation, specifically regarding the cleaning of chairs. The chairs are located on the operations floor, which houses the 911 and 311 employees. The chairs are occupied 24 hours a day 7 days a week and we feel that for the overall quality of the work environment, general up keep, and proper hygiene, this equipment should be cleaned on a regular basis.

At this time, OUC is reviewing the viability a new chair that is made of material that is easier to clean and can be cleaned by the operations employees or in house cleaning staff. This may eliminate the need for future cleaning services.

Recommendation 6: Establish a periodic review system of requiring sampling of purchase card transactions for each agency/department to ensure that purchase cards are used in an efficient and economical manner.

EXHIBIT C: OUC RESPONSE TO DRAFT REPORT

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OCP Response: Within the Office of Contracting and Procurement (OCP), the Office of Procurement Integrity and Compliance (OPIC) will run reports from the bank partner's electronic data system and review transactions to identify potential waste, fraud, abuse and mismanagement. This is a routine part of OPIC's responsibility to the Chief Procurement Officer in managing the procurement card program.

Recommendation 7: Limit emergency purchase card authority to a 3-month period in order to minimize the possibility of abuse.

OCP Response: The recommendation should really focus on increased limits above a certain amount and not on "emergency purchase card authority" in general. OCP should always have at least one emergency purchase card available in case of a natural disaster or terrorist event. The recommendation should focus on procurement cards with limits set above the non-compete level. These should be tied to a particular event and those events should have as tight a time frame as possible (e.g., snow season may be more than three months, yet might lend itself to activation of an emergency card).

Recommendation 8: Establish procedures to ensure immediate deactivation of purchase card accessibility for all former employees or employees who change their responsibilities related to purchase cards.

OCP Response: There are currently adequate procedures in place which should be followed by each agency. The Agency Program Coordinator is responsible for letting the OCP Procurement Card Program Management Office (PMO) know when someone leaves/changes responsibilities. The PMO deactivates cards immediately upon learning that a cardholder has left an agency. The OPIC will add to the audit checklist specific reviews for this item.

We appreciate the OIG's thorough review of OUC purchase card transactions, and, as detailed above, OUC and OCP have already taken steps to address the recommendations for improved management of the purchase card program. Please let us know if you have any questions or need any additional information.

Thank you.



Janice Quintana
Director

Cc: David P. Gragan, Chief Procurement Office

EXHIBIT D: OCP RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement

Director



January 14, 2009

Mr. Charles J. Willoughby
Inspector General
Office of the Inspector General
717 14th Street, NW
Washington, DC 20005

Re: OIG No. 08-1-10AA

Dear Mr. Willoughby:

Thank you for providing us the opportunity to respond to your draft Audit of Purchase Card Transactions at the Office of Unified Communications (report OIG No. 08-1-10AA). I would like to clarify a few statements that I believe to be inaccurate or misleading.

Emergency Purchase Card Authority

The auditors refer to the OUC as having “emergency purchase card” authority and recommend the establishment of procedures for emergency purchase card authority and limiting emergency purchase card authority to a 3-month period to minimize the possibility of abuse. To clarify, OUC was never given “emergency purchase card” authority. In March 2007, [REDACTED] was delegated authority for increased limits on his purchase card to remedy systematic issues with the equipment in the District’s Emergency 911 communications center and avoid a system failure¹. Then in August 2007, [REDACTED] was also delegated increased limits in order to “accommodate mission critical purchases.”² Although staff in OUC may have mistakenly referred to the request as “emergency procurement authority,” OCP merely followed the standard procedure of approving a request for an increase in delegated authority level to accommodate critical needs of the agency.

The only agency with “emergency purchase card” authority is OCP, for use during a declared State of Emergency. The terms of use are defined in an annual MOU between OCP and OFRM. The OCP Emergency Purchase Cards have a \$250,000 limit and there is no time frame for use, because there is no way to predict when a State of Emergency will be called. I, therefore, disagree with your recommendation to limit emergency purchase card authority to a 3-month period.

¹ Per a March 1, 2007 email from [REDACTED] (OUC) to [REDACTED] (OCP) justifying the need for an increase in purchase card limits for [REDACTED]

² Per an August 8, 2007 memo from Janice Quintana to David Gragan justifying the need for an increase in purchase card limits for [REDACTED]

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EXHIBIT D: OCP RESPONSE TO DRAFT REPORT

In the case of OUC, and the increases at issue in your report, I do agree that increases in purchase card authority should be limited to specific and tight time frames that match a defined period of need for the agency.

OCP Oversight

The auditors state that “OCP did not perform sufficient oversight for OUC purchase card transactions as required by OCP Procurement Policy and Procedures Directive No. 9000.01.” This is a fundamental misinterpretation of the role and responsibilities of the OCP Program Management Office (PMO) as stated in the Policies and Procedures. The PMO is responsible for management and oversight in terms of the administration of the program and compliance with procedures, but the PMO is not responsible for auditing/reviewing card transactions or ensuring the transactions are appropriate. The transaction review and approval responsibility clearly falls under the purview of the approving official and the Agency Review Team (ART). The Agency Director signs the Agency Review Team Report, which indicates his/her review and approval of the transactions for the period. The PMO tracks receipt of the ART reports, to verify the ART meeting occurred, but is not part of the transaction review or approval stream. In fact, the ART reports that the PMO receives do not include transaction level information.

The comment on page 6, “OCP officials also stated that they do not have time to perform any monitoring or oversight for purchase card transactions,” is inaccurate. The reason for not reviewing transactions is because this is not an appropriate role for the PMO, not because there is insufficient time. The PMO staff has regular interaction with cardholders and the ability to raise card limits and remove blocked merchant codes in the bank system. For these reasons, it is critical that there is a separation of duties and the audit function is conducted by a third party and not one of the PMO staff.

OCP does agree with the recommendation that we establish a periodic review system of requiring sampling of purchase card transactions. OCP believes it is important to have an audit function review purchase card transactions to identify waste, fraud, abuse and mismanagement. This was one of the key reasons that the Office of Procurement Integrity and Compliance (OPIC) was established. This is a team of dedicated audit professionals who, unlike PMO staff, have no regular interaction with cardholders. However, OPIC will be reviewing transactions for signs of waste, fraud and abuse rather than to ensure that cards are being used “in an efficient and economical manner.”

OCP Oversight – Deactivation of Access

The report referenced a former MPD employee with “access to 18 purchase card accounts online even though the employee left in May 2008.” Further, auditors state “we believe this employee could easily commit fraud by knowing a purchase card number and other information about an authorized cardholder.” This comment is misleading and inaccurate. The referenced employee was actually an employee of OCFO’s Public Safety Cluster and had accounts payable responsibilities at the cluster level. The employee had view-only access to accounts, and the account information only included the last 4 digits of the 16-digit account. There is no personal information about cardholders within the bank system. This partial account number and basic transaction data – all of which is public information – in no way positions the employee to “easily commit fraud.” When the employee was moved to OUC, her accounts payable responsibilities required her to continue to have the similar view only access. The fact that

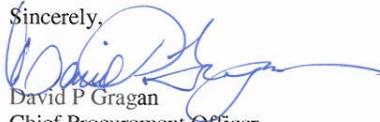
EXHIBIT D: OCP RESPONSE TO DRAFT REPORT

limited information on cardholder activities for the other public safety cluster agencies was still visible presented a very low risk. The employee's access has since been changed to OUC activity only.

The recommendation that OCP establish procedures to ensure immediate deactivation of purchase cards accessible to all former employees is not necessary - OCP has clear procedures in place for when there is a change in a card program participant's status (see Section IIIB Personnel Changes within Policies and Procedures). The responsibility falls on the Agency Program Coordinator to alert the PMO of any sort of role change. A sentence has been added to a more recent draft of the Policies and Procedures to explicitly state that "Upon being informed of a cardholder status change, the PMO will close the cardholder account and deactivate the employee's access in [the Bank webservice] within two business days."

I hope that these comments are useful as you finalize the subject report. Please let me know if you need additional information or would like to discuss any of my comments. Thank you for your attention.

Sincerely,



David P Gragan
Chief Procurement Officer

cc: Dan Tangherlini, City Administrator
Will Singer, Chief of Budget Execution, OCA
William J. DiVello, Assistant Inspector General for Audits
Sharon Kershbaum, Assistant Director OCP