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To: Jody Olsen, Director
Anne Hughes, Chief Compliance Officer

From: Kathy A. Buller, Inspector General 

Subject: Management Advisory Report: Purchase Card Review (IG-18-03-SR)

Date: September 27, 2018

The purpose of this report is to bring to your attention needed improvements the Office of Inspector General (OIG) identified while reviewing the Peace Corps' purchase card program. We found that inadequate controls resulted in non-compliance with agency policies and guidance from the Office of Management and Budget (OMB). In order to reduce the risk of fraudulent behavior and financial abuse, the agency needs to improve its policies and procedures, training, and oversight provided to the purchase card program, as outlined below.

This report makes six recommendations to help enhance controls over purchase card transactions. The agency has 45 days from the issuance of the report to provide its response to these recommendations. Once we receive the response, the report will be updated to include it in Appendix A.

Background

The General Services Administration (GSA) administers the Government purchase card program, which provides the Government's charge card services to Federal agencies. The purpose of the program is to streamline the payment process for small purchases, minimize paperwork, and generally simplify the administrative efforts associated with procuring goods and services under certain thresholds. Agencies are responsible for monitoring the actions of their cardholders as well as issuing agency-specific policies and procedures on the appropriate use of purchase cards.

OIG participated in a Federal Government-wide project with the Information Technology (IT) Committee of the Council of the Inspector General on Integrity and Efficiency (CIGIE) to analyze and review Government purchase card data and determine risks associated with purchase card transactions. This project required the data-mining of purchase card transactions for potential fraud indications and for compliance with Federal purchase card requirements.

Between October 1, 2016 and March 31, 2017, the Peace Corps processed about 5,200 purchase card transactions amounting to approximately \$2,080,000. The CIGIE IT committee provided audit steps to be performed in analyzing data and in identifying high-risk transactions. The CIGIE methodology identified 2,238 high-risk Peace Corps purchase card transactions. We sampled from these transactions, with consideration toward the Peace Corps' operating environment as an agency operating 24/7 in overseas locations across the globe. We selected a

total of 205 transactions amounting to approximately \$238,500 for testing. Of these transactions, 155 were from the high-risk category and 50 were random samples. (See Table 1.)

Table 1: Details of Sample Selected

Criteria	Transactions	Reviewed	Explanation
Transaction Amount greater than limit	43	12	Included 23 transactions where the account limit was zero, as the card was discontinued after the charges were incurred
Closed Account activity	2	2	Reviewed both transactions
Prohibited MCC Code	272	4	Peace Corps has additional authorized Merchant Category Codes (MCC), beyond those allowed for in the CIGIE methodology. We tested Citibank control over Peace Corps-approved MCC codes and determined to be low risk and selected a small sample for verification
Questionable MCC Code	429		
Unauthorized Third-Party Merchant transactions	967	55	The merchant in question was not considered an authorized third-party merchant under the CIGIE methodology. However, it is an authorized MCC for the Peace Corps. We selected a sample to verify compliance with purchase card policies
Potential split Transactions	77	77	As these were considered to be a higher-risk category of exception, we reviewed all transactions
Include sales tax transactions	1	0	We added this transaction with \$0.01 tax amount to overcome an error message in executing the IDEA ¹ program script CIGIE provided.
Weekend- Holiday	447	5	We noted online retailers use shipping date as transactions date and orders placed on weekdays may be shipped on weekend/holidays. We deemed this to be low risk and selected a small sample for testing.
Total IDEA Results	2,238	155	
Random Sample	50	50	Random sample per CIGIE guideline
	2,288	205	

What We Found

Rejection Reports and Auto-Close Purchase Card Statements

Peace Corps Manual Section (MS) 731 Peace Corps Purchase Card Program,² provides that the cardholder is responsible for reconciling and reallocating transactions on their monthly statement of account to ensure that the “transactions are accurate and funded appropriately.” Approving officials are responsible for ensuring that the transactions comply with the purchase card procedures; and must review the purchase card log, statement, and supporting documentation to

¹ IDEA is an audit software used for data mining

² Peace Corps Manual Section 731 *Peace Corps Purchase Card Program*, Section 7.0 Reconciling and Reallocating the Monthly Statement of Account.

verify that all transactions were made in accordance with purchase card guidance before approving the monthly statement.³

MS 731 Attachment I, Reallocating Transactions, provides procedures that cardholders must follow in order to match individual purchase card charges to the appropriate obligation number(s) (reallocate). After the reallocation is complete, the cardholder can submit the statement to their approving official for review and approval. If their monthly statement of account is not electronically submitted within eight business days after the close of the monthly billing cycle, it is automatically closed (Auto-Closed) by the Citibank system.⁴

Rejection Reports

When the agency receives a purchase card statement from Citibank, it pays immediately. Per the current practice, this payment is logged as a pre-payment until individual transactions are recorded to appropriate expense accounts. The agency financial system later matches the monthly electronic file of purchases with obligations cardholders reallocated when they submitted their approved monthly statement. Any mismatched transactions are included in the Odyssey rejection (fall-out) report.

The Office of the Chief Financial Officer (OCFO) currently does not have a documented procedure for managing the transactions appearing in the rejection report. However, the Supervisory Financial Management Officer of Global Accounts Payable (GAP), provided information about the current practice for addressing various errors that cause transactions to be rejected during the matching process. Per the Agency Purchase Card Coordinator (APC), OCFO is preparing a formal process for addressing the rejection report transactions.

Currently, GAP reaches out to cardholders to complete appropriate corrections before recording the relevant expense account. Until the errors are corrected, the amount is retained as a prepayment in the financial system. For example, if the obligation entered in Citibank is incorrect, the holder will be required to create or provide a corrected obligation to GAP for manual correction (as noted in the issue below). The rejection report is a cumulative report, as the financial system tracks the “rejected” transactions until they are resolved.

We obtained the relevant rejection reports for the period under review. The rejection report for October 2016 included 738 purchase card transactions totaling approximately \$322,000 USDE.⁵ These transactions ranged from November 2015 to October 2016. After reviewing these transactions, we expanded our range to include rejection reports from October 2016 to April 2017. We summarized and analyzed these reports, identifying the dates when the errors were corrected, and the transactions were recorded as expense in the financial system. (See Table 2.)

³ Peace Corps Manual Section 731 *Peace Corps Purchase Card Program*, Section 4.5.1-4.5.2 Review for Misuse and Abuse and Review of Cardholder Monthly Statement and Purchase Card Log.

⁴ Peace Corps Manual Section 731 *Peace Corps Purchase Card Program*, Section 4.5.1 Review of Misuse and Abuse.

⁵ US Dollar Equivalent

We noted the following:

- There were 1,406 unique purchase card transactions in the cumulative rejection report with total value of approximately \$531,000.
- 119 purchase card transactions amounting to approximately \$97,000 USDE pertained to the prior Fiscal Year.
- 20 purchase card transactions amounting to approximately \$11,000 USDE were recorded as an expense more than one year after their Citibank invoice date.
- 114 of the 1,406 purchase card transactions amounting to approximately \$48,500 USDE were also included in the auto-close report.
- \$439,500 in unsupported questioned costs (see Table 3: Unsupported Questioned Costs)⁶

Table 2: Summary of Rejection Report Purchase Card Transactions, October 1, 2016 – April 30, 2017

Number of Days from Citibank Statement Date to Recording in Odyssey Date				
No of Days in Rejection Report	No. Of Records	% of Records	Transaction Amount	% of Amounts
0 to 30	312	22%	\$ 105,131	20%
30 to 60	503	36%	\$ 154,549	29%
60 to 90	133	9%	\$ 52,763	10%
90 to 180	322	23%	\$ 152,040	29%
180 to 360	116	8%	\$ 55,872	11%
360 to 540	20	1%	\$ 11,082	2%
Totals:	1,406	100%	\$ 531,437	100%

Based on our discussion with the APC and GAP staff, we believe that the large number of rejected purchase card transactions represent a lack of adequate Peace Corps training for the cardholders and the approving officials about the agency policies and procedures. The delay in completing corrective actions represents a lack of adequate resources allocated to the process and lack of coordination between APC and GAP.

Auto-Close Statements

The cardholder statements are auto-closed when the monthly statements have not been approved by the approving official by the due date⁷ (even if the re-allocation is correct and the transactions are not in the rejection report). An auto-closed statement indicates that the purchase card holder and/or the approving official did not fully comply with the purchase card policy requirements; i.e. the cardholder did not submit the reallocated statement for approval and/or the approving official did not perform reviews of the supporting documents in a timely manner in the Citibank system.

⁶ \$439,500 represents net of total of \$531,000 less \$43,500 administrative errors and \$48,500 also reported in Auto-Close Report

⁷ Peace Corps Manual Section 731 *Peace Corps Purchase Card Program*, Section 7.0 Reconciling and Reallocating the Monthly Statement of Account.

During the period under review, there were approximately 940 monthly statements for all the purchase card holders. Of these, 118, or approximately 13 percent, of the statements were auto-closed. Nine cardholders had three or more auto-close statements within this six-month period. We identified that these auto-closed statements represented over 400 transactions amounting to approximately \$192,000 USDE and included this sum in Table 3: Unsupported Questioned Costs.

We noted that MS 731⁸ authorized the APC to revoke the purchase card for repeat auto-close offenders. However, the agency does not require the APC to obtain the purchase card log and other documents to verify that the transactions appearing on the auto-closed statements were properly supported. As a result, it appears that the transactions on the auto-close statements were certified for payment without verifying if they were legal, proper and correct per federal certification requirements.

We could not obtain support to verify if the prior APC obtained and verified the supporting documents for the period under review. The current APC requests the purchase card log and obligating documents to verify proper support exists for transactions in the auto-closed statements.

Tracking of Auto-closed Statements

Per MS 731,⁹ the APC is required to track auto-closed statements. If a cardholder's statement of account is auto-closed three times within the fiscal year, the APC has the authority to rescind the delegation of authority and revoke the purchase card.¹⁰

We noted that two cardholders' accounts were auto-closed continuously for 6 months and another cardholder statement was auto-closed continuously for 5 months. None of these cards were subsequently revoked. Additionally, during a recent post audit, the former APC failed to revoke the purchase card of a cashier with 14 consecutive auto-closures. When asked why the card was not revoked, the former APC explained that the online banking system does not send notification to the APC when the cardholder fails to enter the obligation codes, only when the codes are entered and not approved by the cardholder's supervisor. However, per the current APC, the banking system does notify the APC of all transactions that are not approved. It appears that the former APC neglected to thoroughly review the statements and monitor recurring auto-closures.

Based on the lack of actions for these auto-closures, it appears that the former APC did not exercise the authority to rescind the purchase cards. By not exercising the suspension authority granted in the purchase card policy, the former APC left the agency vulnerable to fraud and abuse of Government purchase cards. The current APC has followed up on auto-closures and is working to implement additional oversight procedures.

⁸ See footnote 4.

⁹ Peace Corps Manual Section 731 *Peace Corps Purchase Card Program*, Section 7.0 Reconciling and Reallocating the Monthly Statement of Account.

¹⁰ See footnote 7

Split Purchases

Per OMB Circular A-123, Appendix B Section 4.6,¹¹ “any purchase that should not have been made, or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements”, is an improper purchase. This includes purchases made on the same day from the same vendor totaling more than the single transaction limit (split purchase).

During our review of 77 potential split transactions, we identified one split purchase totaling approximately \$3,500, which we included in Table 3: Unsupported Questioned Costs. The split purchase was made by one overseas post ordering different parts of a camera system. Per the purchase cardholder, the order was split due to the need to deliver various components to different addresses. Per the Director of Management and Operations (DMO), they considered the items separately, and unintentionally overlooked the requirement to obtain approval from the Office of Acquisition and Contract Management (OACM). As the estimated purchase exceeded the single purchase limit,¹² the current APC agreed that the cardholder needed to obtain approval from OACM before making the purchase.

MS 731¹³ states that approving officials should verify that purchases have not been split to “circumvent the cardholder’s single purchase limit or avoid competition.” Neither the purchase card approving officials, nor the APC identified this split purchase. Further, discussions with the Office of the Chief Financial Officer and the APC indicated that the agency does not have procedures to identify and protect against split purchases. Without reviewing potential split purchases, the agency risks allowing cardholders to circumvent competition requirements.

Purchases Over the Micro-Purchase Limit

Per Overseas Financial Management Handbook Chapter 45, Purchase Card, an individual purchase should not exceed the single purchase limit for goods of \$3,000. Each individual purchase may be comprised of multiple items, but the total, including shipping, freight, or administrative charges, cannot exceed the single purchase dollar limit of \$3,000.¹⁴

During our review, we noted three instances where post cardholders made purchases over the micro-purchase limit set by policy. Hence, the cardholders did not follow the competition requirements set by the Office of the Chief Financial Officer/Acquisition and Contract Management for purchases over the micro-purchase limit. Purchasing over the micro-purchase threshold creates an unauthorized commitment. The total value of these three purchases was approximately \$12,000, which we included in Table 3: Unsupported Questioned Costs.¹⁵

Per the cardholders, these transactions occurred due to misunderstanding or oversight of procedures, and not with the intention to circumvent the single purchase limit. Nevertheless, by

¹¹ Office of Management and Budget, *Improving the Management of Government Charge Card Programs*, Circular A-123, Appendix B Revised (Jan. 15, 2009).

¹² Overseas Financial Management Handbook 45.2 Spending Limit.

¹³ See footnote 4

¹⁴ See footnote 10

¹⁵ Included \$8,500 in Table 3: Unsupported Questioned Costs as \$3,500 was also reported in Split Purchases

not following the micro-purchase process and guidelines, these transactions did circumvent the competition requirement.

Purchases Without Obligation

Per Overseas Financial Management Handbook Chapter 32, Obligations, an obligation is a firm reservation of funds that creates a legal liability on the U.S. Government for the payment of goods and services ordered. The cardholder can use the purchase card only after checking that the obligation shows funding is available.¹⁶

We noted one purchase of approximately \$750 USDE where the cardholder did not create an appropriate obligation in a timely manner. In response to our review, the cardholder provided an obligation number for the purchase made in September 2016. However, we noted that the obligation number provided was incorrect and was allotted to a different transaction. After further inquiry, the cardholder then provided the correct obligation number for this transaction. We noted that the post had created this obligation in January 2017, approximately 4 months after the transaction date. The cardholder did not provide a clear explanation as to why the post did not create the obligation in a timely manner, or for the delay in creating the new obligation.

Document Retention

We noted five transactions amounting to approximately \$1,300 USDE where the post cardholder did not provide the required supporting documents (approved statement, purchase card log, obligating document, invoice, etc.) and included the sum in Table 3: Unsupported Questioned Costs. Per MS 731, Peace Corps Purchase Card Program, cardholders are required to retain supporting documents for 3 years.¹⁷ However, per MS 892 Records Management, Attachment A (for HQ), and Attachment B (for Posts) the retention requirement for Common Office Records (including purchase card logs and supporting documents) is 6 years.¹⁸ As this manual section prescribes Federally mandated records disposition requirements, the agency is not in compliance with its own records retention requirements and the General Records Schedule prescribed by NARA.¹⁹

It is important for cardholders to retain documents as they are the official records supporting the transactions in question. If the cardholder does not retain the support for credit card transactions, there is no audit trail to validate the purchases. Supporting documentation is necessary for management to appropriately review the purchase made and ensure compliance with Peace Corps policies. The cardholders we interviewed did not provide an explanation for their missing documents.

¹⁶ Overseas Financial Management Handbook 45.4 Purchasing Procedures for Cardholders.

¹⁷ Peace Corps Manual Section 731 *Peace Corps Purchase Card Program*, Section 4.5.2 Review of Cardholder Monthly Statement and Purchase Card Log.

¹⁸ MS 892 Attachment A, Common Office Records, Financial Transaction Records

¹⁹ National Archives and Records Administration, General Records Schedule 1.1.11, Financial Management and Reporting Records, Transmittal No. 28 July 2017.

Available Data Analytic Tools Not Used

The Peace Corps uses the GSA SmartPay program.²⁰ Visa and Citibank offer data analytics tools for government purchase card managers through the GSA SmartPay contract. For example, Visa IntelliLink allows program managers to implement centralized spending policies and identify areas where agencies can make better purchasing decisions; and the Citi Program Audit Tool (PAT) provides card managers with real-time access to key spending and transaction information through dashboards that systematically identify transactions that meet pre-defined business rules. Using these tools allows the agency to identify potential misuse and abuse.²¹ The Peace Corps is currently not utilizing these reporting and analytical tools. However, per APC, the agency plans to implement several new analytical tools when they complete implementation of the purchase card modernization project.

Additionally, GSA and the purchase card-issuing banks made other monitoring and management tools available to agencies in the current SmartPay2 master contract that went into effect in November 2008.²² GSA developed a data analytic system, called the SmartPay Data Warehouse, which is designed to assist agencies with monitoring and analyzing their purchase card spending. According to GSA, the Data Warehouse reached initial operating capability in early 2015. We noted that the agency is currently utilizing some of the SmartPay2 capabilities, however, it is not utilizing the Data Warehouse that provides data-visualization tools through an online dashboard that allows agencies to monitor related trends in their use of purchase cards.²³

Conclusions and Recommendations

Based on our review of policy and procedure documents, as well as our analysis of testing results, we believe that by not maintaining sufficient controls to assure compliance with Peace Corps and Federal requirements, the Peace Corps put itself at risk for fraudulent behavior and financial abuse. We found several weaknesses caused by insufficient controls: inadequate policies and procedures, lack of required training, inadequate oversight, and inadequate use of the available data analytic tools.

²⁰ GSA SmartPay was established in 1998 and provides services to more than 560 Federal agencies, organizations, and Native American tribal governments. GSA SmartPay provides payment solutions that enable authorized government employees to make purchases on behalf of the Federal Government in support of their agency/organization's mission. Prior to using GSA SmartPay, the Federal Government used traditional paper-based payment processes such as purchase orders for small dollar purchases (under the micro-purchase threshold).

²¹

https://smartpay.gsa.gov/sites/default/files/downloads/GSA008%20%20GSA%20SmartPay%20Forum_Analytics_CLP.pptx

²² The current GSA SmartPay2 Master Contract expires on November 29, 2018. The future program, referred to as GSA SmartPay3, contains additional oversight and monitoring tools for agencies that we did not review. Citibank and U.S. Bank were awarded contracts for GSA SmartPay3.

²³

https://smartpay.gsa.gov/sites/default/files/downloads/GSA008%20%20GSA%20SmartPay%20Forum_Analytics_CLP.pptx

Policies and procedures were inadequate. During our review, we noted that Peace Corps Manual section 731 refers to “SOP 731 Peace Corps Purchase Card Program Procedures.” Unfortunately, the electronic link to these procedures is not functional and they are not available in hard-copy form for cardholder use.

As noted previously, several items on the rejection report were cleared after 180 days. This indicates that the agency lacked formal procedures for addressing these transactions and did not provide oversight by monitoring delays in clearing items on the rejection report and initiating corrective action. Similarly, there was a lack of documented procedures for verification of transactions in the auto-close purchase card statements and a lack of monitoring and oversight to address repeat offenders (as the prior APC did not exercise the authority to suspend purchase cards of repeat offenders, in one instance for over 12 months).

Training was not provided as required. Per OMB Circular No. A-123, Appendix B 3.4²⁴ requires that all purchase card program participants (cardholders and supervisors) receive training prior to their appointment and that they must take refresher training, at a minimum, every 3 years. The Peace Corps provides the generic training from General Services Administration to new cardholders and approving officials but does not provide training targeted to agency policies and procedures and does not provide and track refresher training.

Not providing the required training has resulted in the significant weaknesses we have observed in purchase card oversight. Without adequate training, and access to the purchase card procedures document (as noted above), it is difficult for the cardholders and approving officials to comply with Peace Corps and OMB policies and procedures.

The purchase card program had inadequate oversight. As noted above, approximately 13 percent of statements during the review period were auto-closed because card holders and/or approving officials did not fully comply with the purchase card policy requirements. Further, Peace Corps does not have procedures to assure approving officials are aware of their role and oversight requirements. According to the current APC, the prior APC did not maintain a detailed follow-up process. Thus, there is no record of adequate oversight during the period under review. The current APC is putting an oversight process in place but has not yet formally established that process. To date, that process does not provide for any monitoring of potential split purchases.

As several items on the rejection reports were not cleared for many months, this indicates that there was a lack of oversight over the rejection report process for the period under review.

In addition, the Peace Corps has not made adequate use of the data analytic tools available through the SmartPay2 contract, Visa IntelliLink, and GSA SmartPay Data Warehouse.

The agency has recognized these weaknesses and has implemented a Government purchase card modernization project to address them.

²⁴ OMB, *Improving the Management of Government Charge Card Programs*, Circular A-123, Appendix B Revised (Jan. 15, 2009).

We recommend:

1. That the Office of the Chief Financial Officer develop agency-wide procedures to ensure purchase card controls are appropriate to the Peace Corps purchasing environment, and fully define the roles and responsibilities of Peace Corps purchase cardholders, approving officials, and the Agency Program Coordinator.
2. That the Office of the Chief Financial Officer develop, provide and track Peace Corps-specific training for all purchase card program participants including obligating, reallocating, and approving procedures. Further, ensure that this training complies with OMB guidelines for both initial and refresher training.
3. That the Office of the Chief Financial Officer ensure appropriate oversight over the purchase card program to include monitoring of transactions, the use of available data analytics tools and ensuring that follow-up processes receive sufficient staffing and oversight, in both ACM and GAP.
4. That the Office of the Chief Financial Officer:
 - develop controls to ensure the APC monitors, identifies, and follows-up potential split purchases.
 - ensure rejected transactions are monitored and resolved in a timely manner.
 - develop procedures for the APC to monitor auto-closed Citibank monthly statements and review transactions on auto-closed statements to verify for adequate support and authorization
 - remind cardholders and approving officials to comply with Peace Corps policy for retaining supporting documents for appropriate period.
5. That the Office of the Chief Financial Officer review purchases over the micro-purchase limit identified, including the split purchase identified, and take appropriate action, consistent with GSA and agency policy on misuse or abuse of the purchase card.²⁵ The agency should review each transaction

²⁵ Card holders and approving officials agree to abide by policies, procedures, and instructions used by the Peace Corps, GSA, and the cardholder bank with respect to their official functions.

and determine what action is appropriate (i.e. collection of funds or disciplinary action).

6. That the Office of the Chief Financial Officer correct the record retention requirements in MS 731 to be consistent with MS 892 and National Archives and Records Administration requirements.

Questioned Costs

We identified the following questioned costs during the review.

Table 3: Unsupported Questioned Costs

Recommendation	Description	Amount
4	Develop controls to ensure the APC monitors, identifies and follows-up potential split purchases.	\$3,500
4	Ensure rejected transactions are monitored and resolved in a timely manner.	\$439,500
4	Develop procedures for the APC to monitor auto-closed Citibank monthly statements and review transactions on auto-closed statements to verify for adequate support and authorization.	\$192,000
4	Remind cardholders and approving officials to comply with Peace Corps policy for retaining supporting documents for appropriate period.	\$1,300
5	The Office of Acquisition and Contract Management review the need to ratify the items purchased over micro-purchase limits.	\$8,500

Consistent with the Inspector General Act of 1978, as amended, **questioned costs** are defined as follows:

“Questioned costs” are costs that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or document governing expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. The questioned costs in this table are unsupported.

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Appendix A: Agency Response to the Report



MEMORANDUM

To: Kathy Buller, Inspector General

From: Anne Hughes, Chief Compliance Officer 

Date: November 13, 2018

CC: Jody Olsen, Director
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Subject: Agency Response to the Management Advisory Report: Purchase Card Review (IG-18-03-SR)

The agency would like to thank the Office of Inspector General for their continued cooperation on this Management Advisory Report (MAR) and the six accompanying recommendations, all of which the agency is in concurrence. The agency's responses and planned corrective actions are outlined below.

Recommendation 1

That the Office of the Chief Financial Officer develop agency-wide procedures to ensure purchase card controls are appropriate to the Peace Corps purchasing environment, and fully define the roles and responsibilities of Peace Corps purchase cardholders, approving officials, and the Agency Program Coordinator.

Concur

Response: As mentioned in the report, the agency has been working to finalize its purchase card modernization project which includes revising purchase card procedures. The revised procedures will fully define the responsibilities of all purchase card program participants and document program controls. These procedures will be captured in both the Overseas Financial Management Handbook and the Domestic Financial Management Handbook.

Documents to be Submitted:

- Overseas Financial Management Handbook (OFMH) Chapter 67 “Purchase Card”
- Domestic Financial Management Handbook (DFMH) Chapter 25 “Purchase Card”

Status and Timeline for Completion: February 2019

Recommendation 2

That the Office of the Chief Financial Officer develop, provide and track Peace Corps-specific training for all purchase card program participants including obligating, reallocating, and approving procedures. Further, ensure that this training complies with OMB guidelines for both initial and refresher training.

Concur

Response: As part of the agency’s purchase card modernization project, the agency will produce a Peace Corps specific training for program participants which complies with OMB guidelines. Additionally, the agency has been working to finalize revised procedures (referenced in response to Recommendation 1), which will fully define training responsibilities of all program participants and the training monitoring requirement of the Agency Program Coordinator.

Documents to be Submitted:

- Overseas Financial Management Handbook (OFMH) Chapter 67 “Purchase Card”
- Domestic Financial Management Handbook (DFMH) Chapter 24 “Purchase Card”
- LearningSpace Purchase Card Training Module
- Purchase Card Training Records

Status and Timeline for Completion: February 2019

Recommendation 3

That the Office of the Chief Financial Officer ensure appropriate oversight over the purchase card program to include monitoring of transactions, the use of available data analytics tools and ensuring that follow-up processes receive sufficient staffing and oversight, in both ACM and GAP.

Concur

Response: The General Services Administration (GSA) SmartPay3 contract includes the requirement of a data mining tool, IntelliLink. The Visa IntelliLink tool will be implemented by Citibank, Peace Corps' SmartPay3 vendor, beginning January 5, 2019. Additionally, the agency has been working to improve its procedures under the purchase card modernization project. These revised procedures define transaction oversight responsibilities and use of the aforementioned data mining tool within OCFO.

Documents to be Submitted:

- Sampling data from Visa IntelliLink and applicable follow up correspondence with program participants
- Domestic Financial Management Handbook (DFMH) Chapter 25 "Purchase Card Monitoring"
- Overseas Financial Management Handbook (OFMH) Chapter 68 "Purchase Card Monitoring"

Status and Timeline for Completion: February 2019

Recommendation 4

That the Office of the Chief Financial Officer:

- Develop controls to ensure the APC monitors, identifies, and follows-up potential split purchases.
- Ensure rejected transactions are monitored and resolved in a timely manner.
- Develop procedures for the APC to monitor auto-closed Citibank monthly statements and review transactions on auto-closed statements to verify for adequate support and authorization.
- Remind cardholders and approving officials to comply with Peace Corps policy for retaining supporting documents for appropriate period.

Concur

Response: The agency has been working to improve oversight of the purchase card program under its purchase card modernization project. The OCFO is actively managing rejected transactions and will provide the Inspector General the last three months of its 'Fall Out Report' and follow-up correspondence. Additionally, the agency is working on 1) revised procedures which fully define split purchases, monitoring requirements of OCFO, and documentation requirements of all program participants and 2) a desk reference for the Agency Program Coordinator role, which will serve as a day-to-day resource guide. The agency will also remind

program participants of record retention requirements at the start of the SmartPay3 contract, which is January 5, 2019.

Documents Submitted:

- Fall out report tracker from 07/2018 – 10/2018 and applicable follow up correspondence with program participants resolving issues surrounding rejected transactions

Documents to be Submitted:

- Overseas Financial Management Handbook (OFMH) Chapter 67 “Purchase Card”
- Overseas Financial Management Handbook (OFMH) Chapter 68 “Purchase Card Monitoring”
- Domestic Financial Management Handbook (DFMH) Chapter 24 “Purchase Card”
- Domestic Financial Management Handbook (DFMH) Chapter 25 “Purchase Card Monitoring”
- Purchase Card Agency Program Coordinator Desk Reference
- Sampling data from Visa IntelliLink and applicable follow-up correspondence with program participants resolving issues surrounding split purchases
- Email reminder to program participants regarding required documentation and record retention requirements

Status and Timeline for Completion: February 2019

Recommendation 5

That the Office of the Chief Financial Officer review purchases over the micro-purchase limit identified, including the split purchase identified, and take appropriate action, consistent with GSA and agency policy on misuse or abuse of the purchase card. The agency should review each transaction and determine what action is appropriate (i.e. collection of funds or disciplinary action).

Concur

Response: The OCFO will review the purchases identified by the Inspector General and take action consistent with agency policy.

Documents to be Submitted:

- Memorandum from OCFO analyzing transactions and identifying corrective action

Status and Timeline for Completion: December 2018

Recommendation 6

That the Office of the Chief Financial Officer correct the record retention requirements in MS 731 to be consistent with MS 892 and National Archives and Records Administration requirements.

Concur

Response: As mentioned in the report, the agency has been working to finalize its purchase card modernization project, which includes a revision to Manual Section (MS) 731. The revised MS 731 will be updated to reflect the record retention requirements specified in MS 892.

Documents to be Submitted:

- Revised MS 731

Status and Timeline for Completion: February 2019

Appendix B: OIG Comments

Management concurred with all six recommendations. All six recommendations remain open, and OIG will review and consider closing these recommendations when the documentation reflected in the agency's response is received. We wish to note that, in closing recommendations, we are not certifying that the agency has taken these actions or that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. However, when we feel it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact.