





## **IMPORTANT NOTICE**

This audit report contains sensitive information that has been redacted for public release due to privacy concerns.



# Government Purchase Card

## Inspection Report 96801-0001-22

OIG reviewed USDA cardholder transactions for improper or erroneous purchases in conformance with laws and regulations.

### OBJECTIVE

OIG addressed the following questions: (1) Did USDA purchase card transactions comply with laws and regulations? and (2) Did cardholders make any improper or erroneous purchases?

### REVIEWED

We interviewed agency officials; reviewed laws, regulations, written policies, procedures, and other guidance; and obtained access to a web-based electronic access tool to review purchase card transactions.

### RECOMMENDS

We recommend establishing a process to periodically notify agency program coordinators/approving officials of the requirements for cardholders to electronically upload documents into the Department's purchase card approval system before the approving officials approve the transactions. The Approving Official Checklist should be updated to include reviewing the use of required sources. USDA agencies should review the four split transactions OIG identified and perform corrective actions, if applicable. Finally, OCP should develop and deliver sales tax policy training.

### WHAT OIG FOUND

The United States Department of Agriculture (USDA) has more than 11,000 cardholders who use commercial credit cards (purchase cards) to procure and purchase needed supplies and services. Within USDA, the Office of Contracting and Procurement (OCP) administers these purchase cards and provides policy and oversight to USDA agencies regarding their use. Between April 2020 and March 2021, USDA cardholders made 758,668 transactions of more than \$404.1 million in purchases and procurements.

OIG selected a universe of transactions with a value greater than or equal to \$100 and less than or equal to \$10,000. From this universe of 428,645 transactions, we sampled 200 and found the following:

- 71 were missing required documentation needed for properly approving purchases.
- 72 were made using open market vendors/non-mandatory sources and not a Federal mandatory source.
- 4 were part of a split-purchase pattern engaged in by four independent cardholders.
- 4 erroneously paid sales taxes, and the cardholders did not attempt to recover the sales tax paid.

OCP generally agreed with our findings and recommendations, and we accepted management decision on three of four recommendations. Further action from the agency is needed before management decision can be reached on the remaining recommendation.





## OFFICE OF INSPECTOR GENERAL

United States Department of Agriculture



**DATE:** March 22, 2023

**INSPECTION**

**NUMBER:** 96801-0001-22

**TO:** **Tiffany Taylor**  
Director  
Office of Contracting and Procurement

**ATTN:** **Matthew Kopp**  
Coordinator, Internal Reviews and External Audits  
Office of Contracting and Procurement

**FROM:** **Steve Rickrode**  
Acting Assistant Inspector General for Audit

**SUBJECT:** **Government Purchase Card**

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General's (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for Recommendations 1, 2, and 4. However, we are unable to accept management decision for Recommendation 3. The information needed to reach management decision is set forth in the OIG Position section following the recommendation.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and only publicly available information will be posted to our website (<https://usdaoig.oversight.gov>) in the near future.



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# Background and Objectives

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## Background

The United States Department of Agriculture (USDA) has more than 11,000 cardholders who use commercial credit cards (purchase cards) to procure and purchase needed supplies and services. Within USDA, the Office of Contracting and Procurement (OCP) administers these purchase cards and provides policy and oversight to USDA agencies regarding their use through OCP's Charge Card Service Center (CCSC). Between April 2020 and March 2021, USDA cardholders made more than \$404.1 million in purchases and procurements.

U.S. Bank delivers USDA's purchase cards through the General Services Administration (GSA) SmartPay® 3 master contract. As part of this contract, U.S. Bank provides Access Online (AXOL), a web-based electronic access tool for purchase card data. It provides immediate access for stakeholders to manage and monitor purchase card transactions. AXOL also allows stakeholders to create, monitor, and review cardholder accounts, dispute transactions, and create reports necessary for program integrity and results.

Purchase cards are USDA's primary method for making purchases of supplies and services of \$250,000 or less (known as the simplified acquisition threshold). USDA's objectives for using purchase cards are "to reduce procurement and related payment paperwork by reducing/eliminating the number and dollar amounts of imprest funds, reducing purchase order transactions for supplies and services, including construction, and reducing administrative processing costs and lead times."<sup>1,2</sup> For purchases of \$10,000 or less (\$10,000 is the USDA micro-purchase threshold), cardholders may acquire supplies without soliciting competitive quotations, if reasonably priced. Purchases above \$10,000 are limited to warranted personnel and require competitive quotations for all purchases, if not already contracted.<sup>3</sup>

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires heads of executive agencies that issue and use purchase cards to "establish and maintain safeguards and internal controls" over their usage.<sup>4</sup> USDA management and oversight of the purchase card program includes several levels of control to assist in preventing or detecting illegal, improper, or erroneous transactions. In addition to OCP's management and oversight, both local and agency program coordinators have oversight responsibilities. Figure 1 on the following page illustrates the roles and responsibilities for the management and oversight of the USDA purchase card program.

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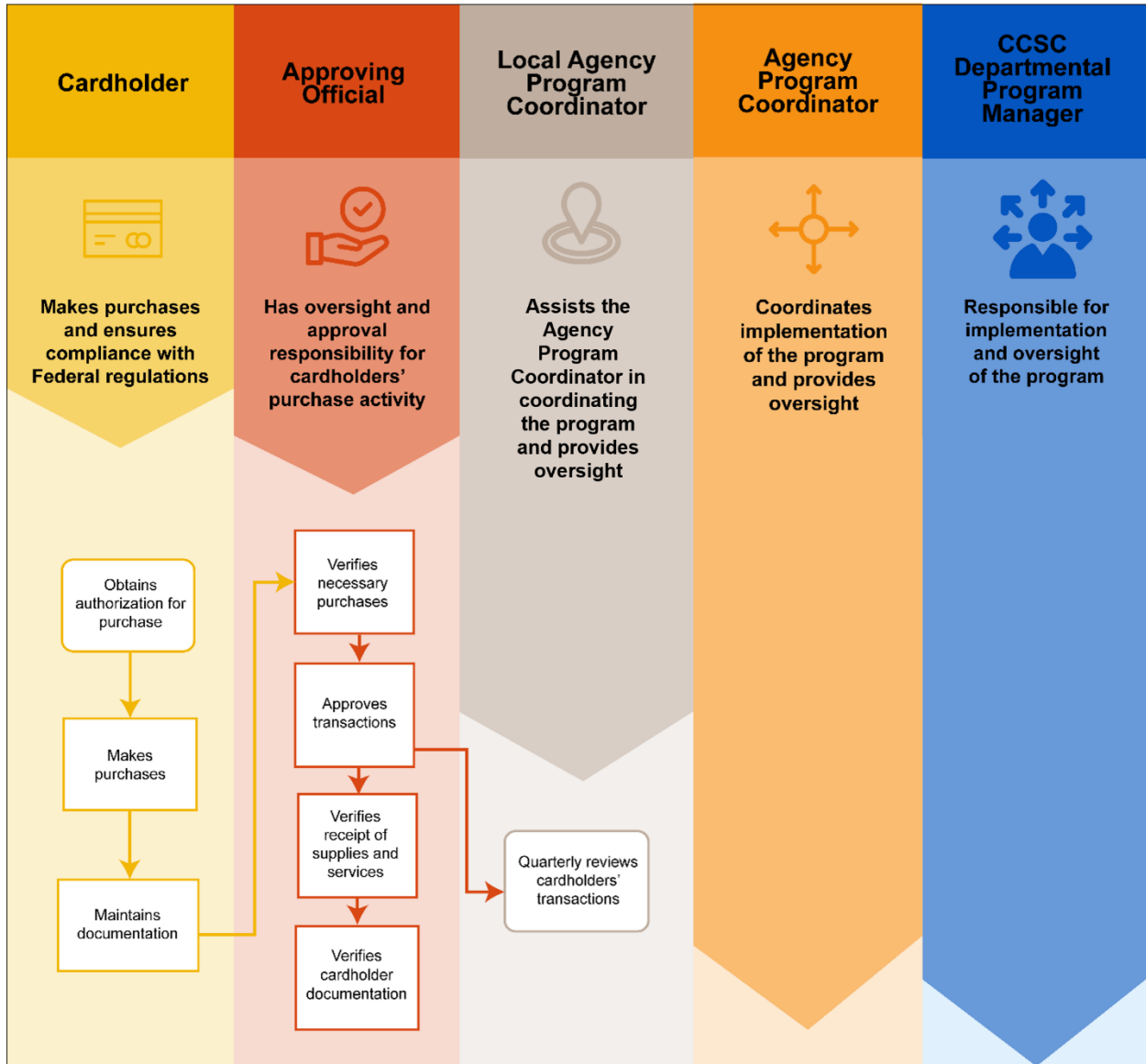
<sup>1</sup> USDA OCP, *USDA Purchase Card Program Guide*, § 2.1, "USDA Government-wide Commercial Purchase Card" (Aug. 1, 2020).

<sup>2</sup> FAR § 13.001 defines an imprest fund as "a cash fund of a fixed amount established by an advance of funds, without charge to an appropriation, from an agency finance or disbursing officer to a duly appointed cashier, for disbursement as needed from time to time in making payment in cash for relatively small amounts."

<sup>3</sup> Warranted personnel, such as a Contracting Officer or a Purchasing Agent, are those individuals with authority delegated by a duly authorized appointing official in accordance with 48 C.F.R. § 1.6 and USDA Departmental Regulation 5001-1, *Acquisition Workforce Training, Delegation, and Management Systems*. The warrant, Standard Form 1402, indicates the level of contracting authority delegated to warranted individuals, including any limitations on that authority. Above the micro-purchase threshold, only warranted individuals may bind USDA contractually.

<sup>4</sup> Government Charge Card Abuse Prevention Act of 2012, Pub. L. No. 112-194, 126 Stat. 1445 (2012).

## USDA Government Purchase Card Roles and Responsibilities



**Figure 1: Roles and Responsibilities.** (Infographic created by OIG’s Office of Analytics and Innovation.)

The Charge Card Act requires Offices of Inspectors General (OIG) to periodically assess risk and perform analysis or audits, as necessary, of purchase card transactions designed to identify potentially illegal, improper, or erroneous uses of purchase cards. In 2018, we issued a report on USDA’s controls over purchase card transactions.<sup>5</sup> In our 2018 report, we identified the following issues: (1) cardholders were purchasing from third parties when mandatory sources<sup>6</sup> were available; (2) cardholders were splitting purchases to avoid the micro-purchase limit; (3) sales taxes were improperly paid; and (4) transactions were missing documentation needed

<sup>5</sup> Audit Report 50024-0001-22, *CIGIE Purchase Card Initiative-USDA Controls over Purchase Card Use*, Mar. 2018.

<sup>6</sup> FAR §8.001-8.005.

for approving purchases. We recommended establishing requirements for documenting the use of non-required sources, issuing guidance for identifying split purchases, and creating guidelines for documenting the recovery of sales tax. In response to these recommendations, OCP updated its purchase card guide to address our recommendations. This 2022 report represents our periodic assessment of the purchase card program as required by the Charge Card Act.<sup>7</sup>

## **Objectives**

Our objectives were to address the following questions:

1. Did USDA purchase card transactions comply with laws and regulations?
2. Did cardholders make any improper or erroneous purchases?

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<sup>7</sup> Government Charge Card Abuse Prevention Act of 2012, Pub. L. No. 112-194, 126 Stat. 1445 (2012).

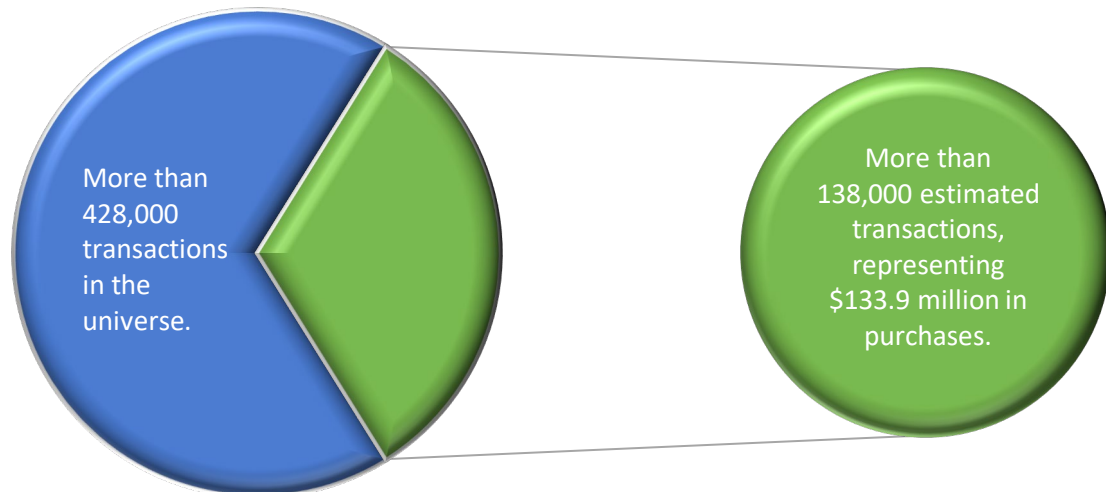
## Objective 1: Did USDA Purchase Card Transactions Comply with Laws and Regulations?

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We found that USDA purchase card transactions did not always comply with laws and regulations because cardholders did not always: (1) maintain required purchasing documents or (2) acquire supplies from mandatory sources before purchasing on the open market.<sup>8</sup> We identified similar issues in our prior 2018 review of the program; at that time, USDA operated under SmartPay 2. Since then, USDA has transitioned to SmartPay 3, a system that offers increased data analysis and reporting capabilities.

### Approving Officials Approved Transactions Without Required Documents

We found that 71 of the 200 sampled transactions were missing the required documentation the approving officials needed to properly review purchases.<sup>9</sup> Further, we estimated that transactions totaling more than \$133.9 million might be missing supporting documents, as detailed in Figure 2.<sup>10</sup> This occurred because approving officials approved transactions although cardholders had not properly maintained receipts and acceptance documentation. Improper documentation can limit the Department's ability to provide effective oversight of the purchase card program and increases the risk that illegal, improper, or erroneous transactions could occur without detection.



**Figure 2: Projected Transactions Missing Documentation.**

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<sup>8</sup> According to FAR §8.004, open market commercial sources are sources without a government contract and are the last priority for supplies and services after the purchasers have explored all other sources.

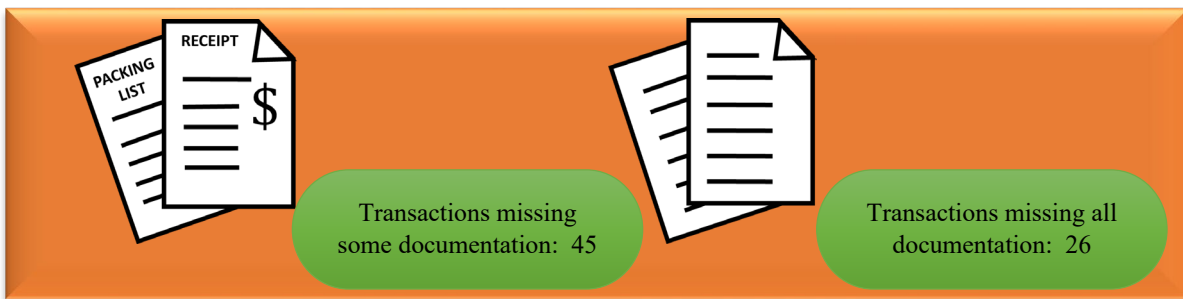
<sup>9</sup> According to the *USDA Purchase Card Program Guide*, the approving official is the individual with oversight and approval responsibility for purchase card activity of the cardholders.

<sup>10</sup> Using a 95-percent confidence interval, we project that the dollar amount of transactions missing supporting documentation fell between \$104.7 million and \$163.0 million. See Exhibit B of this report.



The Charge Card Act requires cardholders and approving officials to reconcile charges using receipts and other supporting documentation. Additionally, the Act requires that records of each purchase card transaction be retained. According to a Department official, a new requirement for cardholders to upload documentation into AXOL was effective on March 2, 2020.

Of the 71 sampled transactions, we found that some were missing one or more of the required supporting documents: receipt, invoice, or packing list, while other transactions did not have any supporting documentation loaded into AXOL (see Figure 3). According to the *USDA Purchase Card Program Guide*, cardholders are responsible for maintaining adequate documentation of all purchase card transactions and must retain receipts, packing lists, and invoices as supporting documentation.



**Figure 3: Missing Documents in Our Sampled Transactions.**

According to the *USDA Purchase Card Program Guide*, the approving official ensures that all purchases made by the cardholders are appropriate and the charges are accurate. Additionally, for final approval, the approving official reviews the transaction and supporting documentation to ensure the purchases were for official Government purposes and that the Government received the purchased goods and services. The Local Agency Program Coordinator (LAPC), who performs a quarterly review of the program, is also required to review cardholder transactions, including reviewing supporting documentation.

The lack of documentation limits the Department's ability to provide effective oversight of the purchase card program. Furthermore, this increases the risk that potentially illegal, improper, or erroneous transactions could occur without detection. The Department is aware of the lack of proper documentation and in March 2022 issued a memorandum to all agencies clearly stating the requirement to retain purchase documentation.

## **Recommendation 1**

Establish a process to periodically remind Agency Program Coordinators and Approving Officials of the requirements for cardholders to electronically upload documents into the Department's purchase card approval system before the Approving Officials approve the transactions.

## Agency Response

OCP agrees with the recommendation. USDA will establish a cadence and mechanism to provide reminders to Agency Program Coordinators, Cardholders, and Approving Officials of the requirement to upload sufficient documentation. USDA started requiring documentation be uploaded effective May 1, 2020, which was during the period transactions were reviewed. Reminders will generally be made verbally in meetings and written communication.

## OIG Position

We accept management decision for this recommendation.

## Cardholders Made Purchases from Non-Mandatory Sources

We found that, for 72 of the 200 sampled transactions, cardholders made purchases using open market vendors or non-mandatory sources instead of using mandatory Government sources. For these transactions, the cardholders purchased items commercially from non-required sources; however, when we looked in GSA Advantage, we found that the cardholders could have purchased the same, or similar, items from a mandatory Government source.<sup>11</sup> This occurred because, under the current oversight checklist, approving officials are not required to verify whether cardholders used mandatory Government sources to complete purchases.<sup>12</sup> As a result, USDA is potentially not achieving cost savings by leveraging its purchasing power through required Government sources.

The Federal Acquisition Regulation (FAR) states “agencies shall satisfy requirements for supplies and services from or through the mandatory Government sources” listed in the regulation.<sup>13</sup> FAR also states that “[i]f an agency is unable to satisfy requirements for supplies and services from mandatory sources listed . . . agencies are encouraged to consider satisfying requirements from or through the non-mandatory sources listed.”<sup>14</sup> The *USDA Purchase Card Program Guide* requires cardholders to adhere to the requirements of FAR 8.001, which requires agencies to acquire supplies and services from designated sources if they are capable of providing them.<sup>15</sup> In addition, the *USDA Purchase Card Program Guide* states that cardholders need to complete the Non-Required Source Vendor Approval form (AD-3110).<sup>16</sup>

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<sup>11</sup> GSA Advantage is the online shopping system that provides access to millions of supplies (products) and services from thousands of federal contractors. GSA Advantage is designed to facilitate shopping as well as market research and ensures GSA-negotiated prices and GSA-approved sources.

<sup>12</sup> According to the *USDA Purchase Card Program Guide*, approving officials are to utilize the *Approving Official Checklist* as a guide in reviewing the transactions.

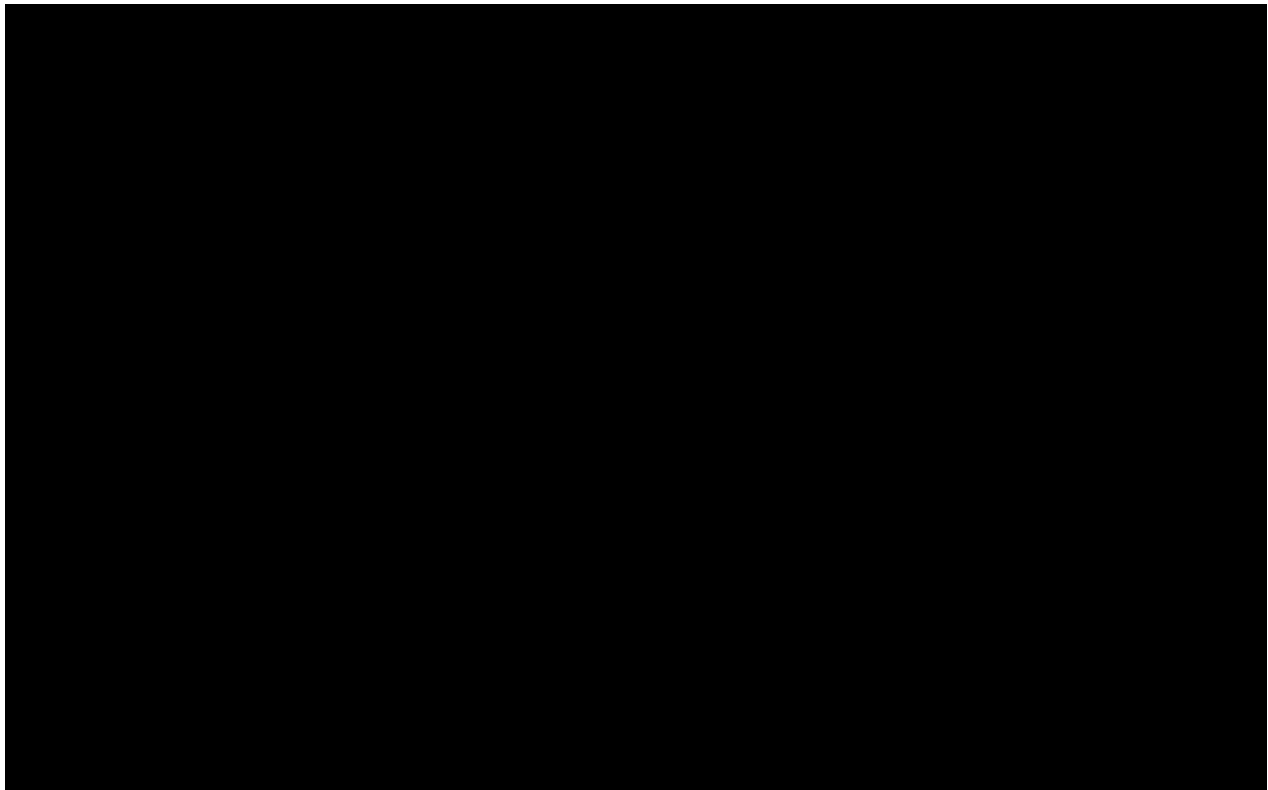
<sup>13</sup> FAR § 8.002.

<sup>14</sup> FAR § 8.004.

<sup>15</sup> USDA OCP, *USDA Purchase Card Program Guide*, Version 2.8 (Apr. 30, 2019).

<sup>16</sup> In our prior report of the purchase card program, the engagement team found transactions where cardholders purchased supplies and services from non-required sources. OCP (previously known as the Office of Procurement and Property Management) lacked a unified method to document purchases from non-required sources. As a result, OCP updated the *USDA Purchase Card Program Guide* in May 2018 to add guidance and a form when using non-required sources.

We found 72 instances in which the cardholders did not make purchases through the mandatory Government sources, as shown in Figure 4 below.



**Figure 4: Examples of Purchases Not Acquired from Required Sources.**

We discussed these transactions with OCP officials who stated that, during this period, there were challenges to the typical supply chain due to the coronavirus pandemic that may have led cardholders to purchase outside of required sources. However, we informed OCP that we found some cardholders did not use Form AD-3110 to document purchases made on the open market. OCP officials explained that, during the scope of our review, Form AD-3110 was required; however, starting in December 2021, cardholders were not required to submit Form AD-3110.<sup>17</sup> Instead, a job aid was created to assist cardholders in the review of mandatory Government sources and item availability. In addition, OCP officials stated that a checkbox will be added to confirm that cardholders have reviewed and understand how to properly check mandatory sources and have watched a video showing the priorities for the use of mandatory sources. Cardholders will be required to attest they watched the video.

Within USDA's purchase card program, the approving official is the individual with oversight and approval responsibility for purchase card activity of the cardholders. As part of their oversight responsibilities, approving officials perform a physical review of cardholder transaction documentation every month. The approving official utilizes a checklist consisting of

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<sup>17</sup> We reviewed transactions for the period of April 1, 2020, to March 31, 2021.

seven questions as a guide for reviewing the transaction.<sup>18</sup> However, the checklist does not contain a question to verify whether the cardholder followed the mandatory source requirements established in the FAR. In contrast, the LAPC's quarterly review checklist includes a requirement to verify whether cardholders are using required sources. Without verifying that cardholders follow the mandatory source requirements, USDA is potentially not achieving cost savings by leveraging its purchasing power through required Government sources.

## **Recommendation 2**

Update the *Approving Official Checklist* to include reviewing the use of required sources.

### **Agency Response**

OCP agrees with the recommendation. USDA will update the Approving Official Checklist to include a prompt for reviewing required sources.

### **OIG Position**

We accept management decision for this recommendation.

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<sup>18</sup> According to the *Approving Official Checklist*, approving officials are required to review cardholder transactions on a monthly basis. The checklist is used as a guide for reviewing transactions in accordance with USDA Departmental Regulation 5013-6 and OMB Circular A-123, Appendix B. The checklist contains questions ranging from verifying that transactions made were a legitimate need of the Government to verifying whether there was adequate documentation to support the transactions.

## **Did Cardholders Make Any Improper or Erroneous Purchases?**

We found instances where USDA purchase card cardholders made potentially improper or erroneous purchases when splitting transactions to stay below the micro-purchase threshold or by paying sales tax. We identified similar issues as those identified in our prior 2018 review of the program; at that time, USDA operated under SmartPay 2. Since then, USDA has transitioned to SmartPay 3, a system that offers increased data analysis and reporting capabilities.

### **Cardholders Split Transactions to Stay Below Purchase Thresholds**

We found that, for 4 of the 200 sampled transactions, cardholders potentially made split transactions of more than \$63,000 to avoid complying with the micro-purchase threshold.<sup>19</sup> Although OCP had implemented Insight on Demand (IOD) as a data analytics tool to identify any unusual spending patterns or frequency of transactions in the summer of 2019, an OCP official stated that APCs may not have fully used its function. As a result, USDA missed an opportunity to strengthen its oversight of these types of transactions. Additionally, USDA has reduced assurance that agencies are complying with micro-purchase threshold requirements and has reduced assurance that agencies are procuring services and goods at the best value available to the Government.

The FAR states “do not break down requirements aggregating more than . . . the micro-purchase threshold into several purchases that are less than the applicable threshold merely to . . . avoid any requirement that applies to purchases exceeding the micro-purchase threshold.”<sup>20</sup> The *USDA Purchase Card Program Guide* establishes that splitting purchases merely to stay within the single purchase limit is a violation of the law and is prohibited.<sup>21</sup>

In the *USDA Purchase Card Program Guide*, OCP describes a split purchase as occurring when a cardholder splits a known requirement at the time of the purchase into several transactions to circumvent their single purchase limit using the purchase card; to avoid competitive bids for purchases over the micro-purchase threshold; or to avoid other established credit limits. Some examples of split purchases include a single cardholder knowingly exceeding single purchase limits by making multiple purchases from the same merchant on the same day or making multiple purchases of similar items from the same or multiple merchants over a period of time.<sup>22</sup>

We found four transactions in our sample that were part of a split-purchase pattern engaged in by four independent cardholders. These cardholders may have split their purchases to avoid the requirement to not exceed the micro-purchase threshold as detailed in Figure 5. For each of these four transactions, OIG concluded that the cardholders made aggregate purchases from the same

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<sup>19</sup> FAR § 2.101 defines the micro-purchase threshold as \$10,000. Split purchases can occur if there are transactions where cardholders made multiple purchases from the same vendor. For example, a split purchase occurs when the cardholder’s single purchase limit is \$10,000, the total requirement of items needed at the time of purchase is \$15,000, and the cardholder “splits” the requirement into multiple transactions, each one less than the cardholder’s single purchase limit (for instance, individual transactions of \$3,000, \$4,000, and \$8,000).

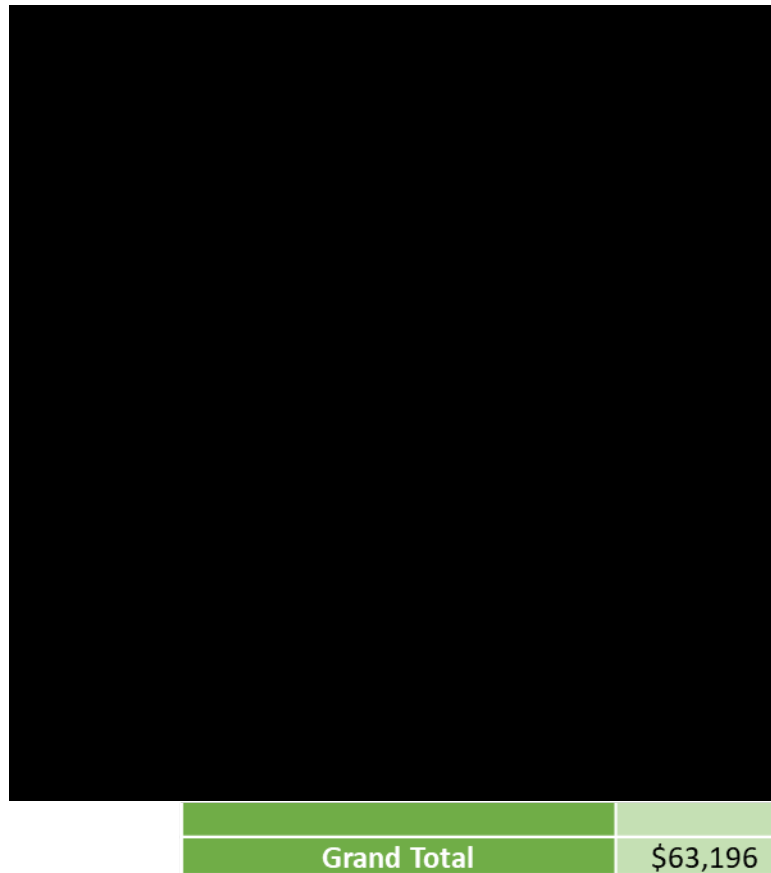
<sup>20</sup> FAR § 13.003 (c) (2).

<sup>21</sup> USDA OCP, *USDA Purchase Card Program Guide*, Version 2.8 (Apr. 30, 2019).

<sup>22</sup> *Ibid.*



vendor in totals that exceeded the micro-purchase threshold. Splitting purchases can allow cardholders to avoid certain requirements of the FAR, such as competitive quotations. Without competition, USDA cannot ensure that agencies are obtaining the best value for the Government.



**Figure 5: Four Transactions Where Cardholders Made Aggregate Purchases Exceeding the Micro-Purchase Threshold to the Same Vendor.<sup>23</sup>**

When cardholders exceed their purchase limit, they lack the authority to enter into an agreement on behalf of the Government, creating an unauthorized commitment.<sup>24</sup> During our fieldwork, OCP referred these transactions to the appropriate agency program coordinator for review.

### **Recommendation 3**

Require the agencies to review the four split transactions OIG identified and to perform corrective actions, if applicable.

<sup>23</sup> We conservatively rounded down individual purchases for a total of \$63,196; however, in aggregate the purchases are more than \$63,198.

<sup>24</sup> FAR §1.602-3(a) defines an unauthorized commitment as “an agreement that is not binding solely because the Government representative who made it lacked the authority to enter into that agreement on behalf of the Government.”

## Agency Response

OCP agrees with the recommendation. OCP stated that agencies have been notified of the requirement to review these four possible split transactions and will provide responses to USDA for review. If the transactions are identified as splits, USDA will have the respective agencies follow the established Unauthorized Commitment (UAC) process.

## OIG Position

We do not accept management decision for this recommendation. While we agree with OCP's approach for this recommendation, USDA will need to provide its determination on these four transactions to OIG and initiate actions, if applicable to reach management decision.

## Cardholders Erroneously Paid Sales Taxes

We found that, for 4 of the 200 sampled transactions, cardholders erroneously paid sales taxes and did not attempt to recover the sales tax paid. This occurred because cardholders and approving officials did not properly review and monitor transactions for sales tax paid and not recovered. While OCP has issued sales tax guidance, this guidance was not incorporated in the Department's annual cardholder training. Failure to recapture tax payment increases the cost of USDA purchase card transactions. Without cardholders documenting their actions, it is difficult for approving officials to determine why sales taxes were paid or if any recovery was attempted.

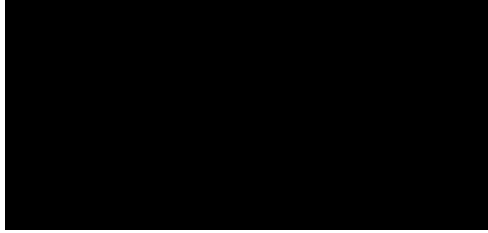
Generally, purchases made by the Federal Government are immune from State and local taxation. Office of Management and Budget (OMB) Circular No. A-123, Appendix B, states "in the event taxes are improperly assessed on a transaction, cardholders should attempt to resolve the matter with the merchant."<sup>25</sup> The *USDA Purchase Card Program Guide* indicates that, if sales tax is not waived, the cardholder is required to make every effort to recover the sales tax paid. The cardholder must document attempts made to recover sales tax paid by notating the receipt or invoice that the sales tax paid was unavoidable or unrecoverable.<sup>26</sup>

During our review of the supporting documentation, we identified four transactions in which sales tax was paid by the cardholders. (See Figure 6.) Documents loaded in AXOL to support these transactions do not show any attempts made by the cardholders to recover the sales tax or state why the sales tax paid was unavoidable or unrecoverable.

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<sup>25</sup> OMB, *Appendix B, A Risk Management Framework for Government Charge Card Programs*, Circular A-123 (Aug. 27, 2019).

<sup>26</sup> USDA OCP, *USDA Purchase Card Program Guide*, §7.1.22, "Tax Exemption CH," Version 2.8 (Apr. 2019).



**Figure 6: Table of Sales Tax Paid.**

While the Department has provided guidance for documenting efforts to recover sales tax, training is necessary. Without cardholders documenting efforts, it is difficult for approving officials to determine why sales taxes were paid or if any recovery was attempted. OCP generally agreed with this issue and stated it will establish sales tax policy training.

**Recommendation 4**

Develop and deliver sales tax policy training.

**Agency Response**

OCP agrees with the recommendation. USDA will provide periodic reminders and training aids to Agency Program Coordinators, Cardholders, and Approving Officials of techniques to avoid paying sales taxes. Reminders will be made verbally in meetings and written communication.

**OIG Position**

We accept management decision for this recommendation.

## Scope and Methodology

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Our inspection scope covered USDA’s Government purchase card transactions for the period of April 1, 2020, to March 31, 2021. We conducted our fieldwork remotely with OCP staff from June 2021 to December 2022.

To accomplish our inspection objectives, we:

- Interviewed agency officials (through videoconferencing and email communications).
- Reviewed laws, regulations, written policies, procedures, and other guidance to gain sufficient knowledge and understanding of USDA’s purchase card program.
- Obtained access to AXOL to obtain supporting documentation for the transactions we reviewed.
- We obtained from AXOL the universe of USDA purchase card transactions and reviewed a statistical sample as shown in Figure 7 below.

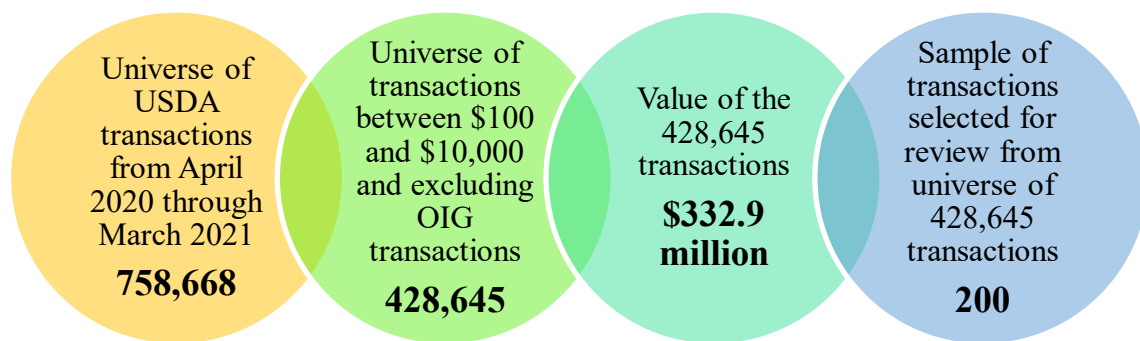


Figure 7: Universe and Sample of Transactions from April 1, 2020, to March 31, 2021.<sup>27</sup>

USDA uses U.S. Bank’s AXOL to manage, operate, and monitor purchase card transactions, which we found reliable for the objectives of this report. We used data from AXOL to obtain the universe of purchase card transactions and select the sample we tested. We tested the reliability of data specific to our scope by comparing physical documentation to the electronic information contained within AXOL. We based our estimates and conclusions on the documents we reviewed and the results of our testing.

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency’s Quality Standards for Inspection and Evaluation. Those standards require that we obtain sufficient, competent, and relevant evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our inspection objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our review.

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<sup>27</sup> To mitigate impairments to independence in fact or appearance, our inspection excluded OIG transactions.

## Abbreviations

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APC.....	Agency Program Coordinator
AXOL.....	Access Online
CCSC.....	Charge Card Service Center
FAR.....	Federal Acquisition Regulation
GSA.....	General Services Administration
IOD.....	Insight on Demand
LAPC.....	Local Agency Program Coordinator
OCP.....	Office of Contracting and Procurement
OIG.....	Office of Inspector General
OMB.....	Office of Management and Budget
USDA.....	United States Department of Agriculture



## Exhibit A: Summary of Monetary Results

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Exhibit A summarizes the monetary results for our inspection report by finding and recommendation number.

<b>Finding</b>	<b>Recommendation</b>	<b>Description</b>	<b>Amount</b>	<b>Category</b>
<b>1</b>	<b>1</b>	Missing Documentation	\$133,901,774	Questioned Cost, No Recovery
<b>3</b>	<b>3</b>	Split Purchases	\$63,198 <sup>28</sup>	Questioned Cost, Recovery Recommended
<b>Total</b>			<b>\$133,964,972</b>	

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<sup>28</sup> In Finding 3, we conservatively rounded down individual purchases for a total of \$63,196; however, in aggregate the purchases are more than \$63,198.

## Exhibit B: Sampling Methodology and Projections

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### Objective

OIG conducted an inspection of the Government’s purchase card program. The objectives of our inspection were to address the following questions:

1. Did USDA purchase card transactions comply with laws and regulations?
2. Did cardholders make any improper or erroneous purchases?

### Inspection Universe

Our universe consisted of USDA purchase transactions between April 2020 and March 2021. During this period, USDA performed 758,668 purchase transactions with a value of \$404,141,371.20. OIG selected transactions with a value less than or equal to \$10,000, which is the micro-purchase threshold. From this modified universe, OIG developed a stratified sample of transactions that are greater than or equal to \$100 and less than or equal to \$10,000, and we removed all OIG transactions. Within these parameters, the sample universe of transactions with these purchase amounts was 428,645 transactions totaling \$332,977,614.19.

### Sample Design<sup>29</sup>

OIG used stratified random sampling to split the universe of purchase card transactions into three strata. The Neyman allocation technique was used to allocate the sample size of 200 transactions amongst the strata. The confidence intervals for all projections are at the 95% confidence level.

Range of strata		Number in strata		% in strata	
From	to	universe	sample	universe	Sample
≥ \$100	≤ \$1,000	342,791	97	80.0%	48.5%
> \$1,000	≤ \$2,500	58,407	32	13.6%	16.0%
> \$2,500	≤ \$10,000	27,447	71	6.4%	35.5%
		428,645	200	100.0%	100.0%

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<sup>29</sup> This statistical design is provided as evidence of the statistical sample and projections. It is simply an explanation of statistics involved with the inspection work and results. This is not a reflection of the monetary results of this inspection report. See Exhibit A and the related findings for the actual monetary results.

**Criteria**

**Criterion:** Did the cardholder upload required document to support the purchase?

*Number of Improper Transactions*

Stratum		Lower Bound		Upper Bound					
1	102,483.91								
2	25,553.06	15,516.78	35,589.35	43.75%	26.57%	60.93%	8.77%	17.18%	0.200
3	10,824.17								
Total	138,861.14	105,914.47	171,807.81	32.40%	24.71%	40.08%	3.92%	7.69%	0.121

*Total Dollar Amount of Improper Transactions*

Stratum		Lower Bound		Upper Bound					
1	\$43,639,980.09								
2	\$38,293,892.47	\$21,795,360.95	\$54,792,424.00	\$8,089,444.84	\$16,498,531.52				0.211
3	\$51,967,902.39								
Total	\$133,901,774.95	\$104,724,200.74	\$163,079,349.16	\$14,779,552.77	\$29,177,574.21				0.110

**Criterion:** Did the cardholder make the purchase through mandatory sources outlined in FAR Part 8?

*Number of Improper Transactions*

Stratum		Lower Bound		Upper Bound					
1	106,017.84	74,492.69	137,542.98	30.93%	21.73%	40.12%	4.69%	9.20%	0.152
2	25,553.06	15,516.78	35,589.35	43.75%	26.57%	60.93%	8.77%	17.18%	0.200
3	10,824.17	7,708.05	13,940.29	39.44%	28.08%	50.79%	5.79%	11.35%	0.147
Total	142,395.07	109,164.48	175,625.66	33.22%	25.47%	40.97%	3.96%	7.75%	0.119

*Total Dollar Amount of Improper Transactions*

Stratum	Point Estimate (\$)	Confidence Interval		Standard Error	Precision	Coefficient Variation
		Lower Bound	Upper Bound			
1	\$35,452,116.67	\$21,154,340.69	\$49,749,892.64	\$7,202,966.74	\$14,297,775.98	0.203
2	\$42,621,723.41	\$23,889,448.97	\$61,353,997.84	\$9,184,678.08	\$18,732,274.44	0.215
3	\$49,420,264.12	\$32,988,652.43	\$65,851,875.81	\$8,238,721.39	\$16,431,611.69	0.167
Total	\$127,494,104.19	\$99,224,889.00	\$155,763,319.39	\$14,286,972.08	\$28,269,215.20	0.112

**Criterion:** Were sales taxes charged?

*Number of Improper Transactions*

Stratum	Point Estimate	Confidence Interval		Point (%)	Confidence Interval		Standard	Precision	Coefficient Variation
		Lower Bound	Upper Bound		Lower Bound	Upper Bound			
1	10,601.78	3.00	22,409.98	3.09%	0.00%	6.54%	1.76%	3.44%	0.568
2	0.00	0.00	0.00	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
3	386.58	1.00	1,137.94	1.41%	0.00%	4.15%	1.40%	2.74%	0.992
Total	10,988.36	4.00	22,820.44	2.56%	0.00%	5.32%	1.41%	2.76%	0.549

*Total Dollar Amount of Improper Transactions*

Stratum	Point Estimate (\$)	Confidence Interval		Standard Error	Precision	Coefficient of Variation
		Lower Bound	Upper Bound			
1	\$3,219,973.69	\$911.16	\$7,442,135.09	\$2,127,050.27	\$4,222,161.41	0.661
2	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	N/A
3	\$1,219,617.11	\$3,154.91	\$3,648,918.56	\$1,218,038.63	\$2,429,301.45	0.999
Total	\$4,439,590.80	\$4,066.07	\$9,283,564.37	\$2,451,114.23	\$4,843,973.58	0.552

**Criterion:** Did the cardholder upload documents to AXOL?

*Number of Improper Transactions*

Stratum	Point Estimate	Confidence Interval		Point (%)	Confidence Interval (%)		Standard Error (%)	Precision (%)	Coefficient of Variation
		Lower Bound	Upper Bound		Lower Bound	Upper Bound			
1	45,941.06	22,704.58	69,177.55	13.40%	6.62%	20.18%	3.46%	6.78%	0.258
2	7,300.88	610.02	13,991.73	12.50%	1.04%	23.96%	5.84%	11.46%	0.468
3	3,479.20	1,357.82	5,600.57	12.68%	4.95%	20.41%	3.94%	7.73%	0.311
Total	56,721.13	32,447.65	80,994.62	13.23%	7.57%	18.90%	2.89%	5.66%	0.218

*Total Dollar Amount of Improper Transactions*

Stratum	Point Estimate (\$)	Confidence Interval		Standard Error	Precision	Coefficient Variation
		Lower Bound	Upper Bound			
1	\$12,876,325.48	\$4,683,473.02	\$21,069,177.94	\$4,127,414.21	\$8,192,852.46	0.321
2	\$12,224,986.65	\$56,839.77	\$24,393,133.53	\$5,966,200.86	\$12,168,146.88	0.488
3	\$16,882,236.06	\$5,241,252.32	\$28,523,219.81	\$5,836,726.40	\$11,640,983.74	0.346
Total	\$41,983,548.19	\$23,554,071.93	\$60,413,024.45	\$9,311,201.63	\$18,429,476.26	0.222

**Office of Contracting and Procurement  
Response to Inspection Report**



February 10, 2023

**TO:** Yarisis Rivera Rojas, Acting Assistant Inspector General for Audit

**FROM:** Tiffany Taylor, Director

**SUBJECT:** Government Purchase Card - 96801-0001-22

We appreciate the opportunity to respond to the draft report, "Government Purchase Card - 96801-0001-22", and we agree with the OIG draft report and recommendations and provide the following corrective actions.

**Recommendation 1**

Establish a process to periodically remind Agency Program Coordinators and Approving Officials of the requirements for cardholders to electronically upload documents into the Department's purchase card approval system before the Approving Officials approve the transactions.

**Agency Response 1:** USDA will establish a cadence and mechanism to provide reminders to Agency Program Coordinators, Cardholders, and Approving Officials of the requirement to upload sufficient documentation. USDA started requiring documentation be uploaded effective May 1, 2020, which was during the period transactions were reviewed. Reminders will generally be made verbally in meetings and written communication. Estimated Action Completion Date: September 30, 2023.

**Recommendation 2**

Update the *Approving Official Checklist* to include reviewing the use of required sources.

**Agency Response 2:** USDA will update the Approving Official Checklist to include a prompt for reviewing required sources. Estimated Action Completion Date: June 30, 2023.

**Recommendation 3**

Require the agencies to review the four split transactions OIG identified and to perform corrective actions, if applicable.

**Agency Response 3:** Agencies have been notified of the requirement to review these four possible split transactions and will provide responses to USDA for review. If the transactions are identified as splits, USDA will have the respective agencies follow the established Unauthorized Commitment (UAC) process. Estimated Action Completion Date: June 30, 2023.

**Recommendation 4**

Develop and deliver sales tax policy training.

**Agency Response 4:** USDA will provide periodic reminders and training aids to Agency Program Coordinators, Cardholders, and Approving Officials of techniques to avoid paying sales taxes. Reminders will be made verbally in meetings and written communication. Estimated Action Completion Date: December 31, 2023.

Thank you again for the opportunity to review the draft report. If you have any questions, please contact Glen Kinder, Agency Program Coordinator, [glen.kinder@usda.gov](mailto:glen.kinder@usda.gov).



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