



U.S. Department of Energy
Office of Inspector General
Office of Inspections

Inspection Report

Yucca Mountain Project Purchase Card Programs

INS-O-09-04

August 2009



Department of Energy
Washington, DC 20585

August 20, 2009

MEMORANDUM FOR DIRECTOR, OFFICE OF CIVILIAN RADIOACTIVE WASTE
MANAGEMENT

A handwritten signature in black ink that reads "Herbert Richardson".

FROM: Herbert Richardson
Principal Deputy Inspector General

SUBJECT: INFORMATION: Inspection Report on "Yucca Mountain
Purchase Card Programs"

BACKGROUND

Yucca Mountain Project (Project) is the Nation's first proposed storage facility for spent nuclear fuel and high-level nuclear waste. The Project is managed by the Department of Energy's (DOE) Office of Civilian Radioactive Waste Management (OCRWM). From January 2007 to February 2009, Yucca Mountain Project's cardholders procured approximately \$3.6 million in goods and service using purchase cards.

The Office of Inspector General has established a proactive initiative to review purchase card programs throughout the Department due to their widespread use and potential for abuse. We initiated an inspection of the purchase card programs that have supported the Project. Specifically, we reviewed a General Service Administration Program administered by OCRWM and a Purchasing Card System administered by Bechtel SAIC, LLC (Bechtel) which was the managing contractor from November 14, 2000 to March 31, 2009. The objectives of the review were to: 1) assess the effectiveness of the program's internal controls in preventing fraud, waste, or abuse; and (2) determine whether the programs were consistent with the applicable policies and guidelines.

RESULTS OF INSPECTION

We concluded that operation of the Yucca Mountain Project's purchase card programs was not consistent with applicable policies and procedures and contained weaknesses that could expose the Department to the risk of fraud, waste, or abuse. Specifically, we found that, contrary to requirements:

- An OCRWM approving official did not approve or review purchase card transactions prior to purchases being made and did not always review the cardholders' Statements of Account and supporting documentation in a timely manner;

- An OCRWM approving official had not completed the required approving official's certification training but had been approving transactions for a cardholder since 2006; and,
- Two OCRWM purchase cardholders had shared their account numbers and allowed others to make purchases using those numbers.

Additionally, we observed that:

- OCRWM used purchase cards to pay for recurring services for its Las Vegas, Nevada office location; while this is not a violation of the purchase card use, best business practices according to DOE procurement would be to include these cost under a contract, especially when the annual aggregated cost exceeds the single purchase card limit.
- A Bechtel cardholder split a purchase transaction to stay within the purchase card's single purchasing transaction limit.

MANAGEMENT REACTION

In responding to a draft of this report, management concurred with our recommendations. Management's comments are included in the report at Appendix C.

Attachment

cc: Director, Office of Internal Review (CF-1.2)
Audit Liaison, Office Civilian Radioactive Waste Management

YUCCA MOUNTAIN PROJECT PURCHASE CARD PROGRAMS

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INTRODUCTION AND OBJECTIVE

The Yucca Mountain Project is the Nation's first proposed storage facility for spent nuclear fuel and high-level nuclear waste. Located 90 miles west of Las Vegas, Nevada, the Project is managed by the Department of Energy's (DOE) Office of Civilian Radioactive Waste Management (OCRWM). OCRWM and its contractors use various procurement methods to acquire goods and services in support of the Project's mission, including purchase cards.

The Office of Inspector General (OIG) has established a proactive initiative to review purchase card programs throughout the Department due to their widespread use and the potential for abuse (see Appendix B for a list of related reports). We initiated a review of the purchase card programs that have supported the Yucca Mountain Project (Project). Specifically, we examined a General Service Administration purchase card program administered by OCRWM and the purchasing card system administered by Bechtel SAIC Company, LLC (Bechtel), which was the managing contractor from November 14, 2000, to March 31, 2009. The objectives of the review were to: (1) assess the effectiveness of the program's internal controls in preventing fraud, waste, or abuse; and (2) determine whether the programs were consistent with the applicable policies and guidelines. Our inspection methodology included reviewing purchase card transactions of both programs from January 2007 to February 2009 with transactions valued around \$3.6 million.

OBSERVATIONS AND CONCLUSIONS

We concluded that operation of the Yucca Mountain Project's purchase card programs was not consistent with applicable policies and procedures and contained weaknesses that could expose the Department to the risk of fraud, waste, or abuse. Specifically, we found that, contrary to requirements:

- An OCRWM approving official did not approve or review purchase card transactions prior to purchases being made and did not always review the cardholders' Statements of Account and supporting documentation in a timely manner;
- An OCRWM approving official had not completed the required approving official's certification training but had been approving transactions for a cardholder since 2006; and,

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- Two OCRWM purchase cardholders had shared their account numbers and allowed others to make purchases using those numbers.

Additionally, we observed that:

- OCRWM used purchase cards to pay for recurring services for its Las Vegas, Nevada office location; while this is not a violation of the purchase card use, best business practices according to DOE procurement would be to include these cost under a contract, especially when the annual aggregated cost exceeds the single purchase card limit.
- A Bechtel cardholder split a purchase transaction to stay within the purchase card's single purchasing transaction limit.

Details of Findings

APPROVING OFFICIAL'S REVIEW

We found that an OCRWM approving official did not approve or review purchases prior to purchases being made and did not always timely review the cardholders' Statements of Account and supporting documentation.

Transaction Pre-approval

“DOE Policy and Operating Procedures for the Use of the GSA Smartpay2 Purchase Card” requires that cardholders obtain approval from their approving official prior to purchase transactions being made, unless the transaction is a purchase covered by a “blanket letter of approval.” A blanket letter of approval allows a cardholder to use the purchase card to purchase specific items up to a designated dollar amount without seeking prior approval from his or her approving official. Further, memorandums issued to appoint each approving official requires that any blanket letters of approval must be issued in writing by the approving official.

We interviewed seven of nine purchase cardholders¹ for OCRWM. Four of those cardholders informed us that they did not routinely obtain pre-approval prior to making purchase card purchases because they believed that they had blanket approval to make purchases. For example, two cardholders believed that their “Delegation of Authority Letter,” a letter issued by the Head of the Contracting Agency giving the cardholder authority to make purchases, represented a blanket letter of approval. However, our review determined that it did not meet the requirement for a blanket letter of approval. Another cardholder stated that the blanket letter of approval was “talked about” but was never put in writing. We interviewed the designated approving official who informed us that he did not pre-approve his cardholders' purchases because their purchases were covered in a blanket letter of approval. The approving official was unable to provide any blanket letters of approval.

Review of Statements of Account

“DOE Policy and Operating Procedures for the Use of the GSA Smartpay2 Purchase Card” requires that approving officials review and approve cardholders' Statements of Account in a timely manner. This review is designed to ensure that the statements have supporting documentation and are complete,

¹ There were a total of nine cardholders. Two of the OCRWM purchase cardholders had retired and were not available for interview; however, their purchase card statements were included in our review.

accurate, and reflect only authorized purchases. The policy further requires the approving official to sign and date the reconcile statements and forward to the Finance Office by the 15th day of each month.

We reviewed all cardholders' Statements of Account and supporting documentation for the period of June 2008 through January 2009. Approximately fifty-six percent of the statements of account totaling \$76,218.35 in goods and services had not been reviewed by the designated approving official by the required date. In one instance, we found that a cardholder's Statement of Account and supporting documentation were not reviewed by the designated approving official until seven months after the billing cycle had ended. In several other instances, we found that an approving official had not reviewed statements until three to four months after the billing cycles had ended or not at all. One approving official informed us that due to a busy schedule, review of Statements of Account and supporting documentation did not usually take place by the required date. The approving official explained that when the statements were not reviewed by the required date the Organizational Program Coordinator sent the statements forward for payment to avoid late fees.

OCRWM's failure to adhere to both pre-purchase and post-purchase requirements undermines internal controls intended to assure that Department funds are not wasted or misused. Previous OIG reviews have noted that the approving official review of purchases is the most essential management tool in the purchase card control system. Although our review did not disclose any improper purchases, we believe that the lack of official review and approval exposes the Department to risk of potential misuse or abuse of the purchase cards.

TRAINING

We found that one of three OCRWM approving officials had not completed the required approving official's certification training, but had been approving transactions for a cardholder since 2006. Proper training for an approving official is an essential requirement in ensuring the officials have the skills to carry out their duties.

"DOE Policy and Procedures for the Use of the GSA Smartpay2 Purchase Card" requires that approving officials receive certification training prior to appointment as an approving official, followed by biennial refresher training. During the course of our review, we learned that an approving official had not taken the

required initial certification training. An OCRWM official confirmed that there was no record that the approving official completed the training. Based on our findings, OCRWM informed us that as of May 7, 2009, the approving official's authorities had been suspended.

**SHARING OF
ACCOUNT NUMBERS**

We found that two OCRWM purchase cardholders had shared their account numbers and allowed others to make purchases using those numbers. "DOE Policy and Operating Procedures for the Use of the GSA Smartpay2 Purchase Card" strictly prohibits cardholders from sharing their account number or purchase card with anyone.

Two cardholders we interviewed informed us that they had provided their purchase card account numbers to others. In one instance, the cardholder stated that she had allowed a coworker to use her purchase card account numbers to make purchases because it was "more convenient" for the other employee to make the purchases. In the other instance, the cardholder acknowledged that she had exchanged her account information with another cardholder based on the job responsibilities and budget availability.

OBSERVATIONS

**Recurring
Purchases**

We observed that OCRWM has used purchase cards to pay for monthly utility services for its Las Vegas, Nevada office location; however, DOE purchase card policy and procedures suggests that services that are purchased on a recurring basis should be considered for consolidation under a contract. A senior DOE Headquarters procurement official further stated that recurring services with an aggregated annual cost exceeding the single purchase limit for purchase cards, typically \$3,000, should not be purchased using a Government credit card. We identified monthly purchase card transactions for electricity services that averaged approximately \$360 per month (\$4,370 per annum).

Split Purchases

We observed that a Bechtel cardholder split a purchase transaction to stay within the purchase card's single purchase transaction limit. Bechtel's Purchasing System Policy prohibited cardholders from splitting purchases to circumvent transaction limits. Our review of Bechtel transaction records identified that a cardholder with a \$5,000 single transaction limit made two purchases totaling \$8,400 to the same vendor within a two-day period. The cardholder acknowledged that she requested the vendor to separate the purchases into two transactions of \$2,800 and \$5,600 in order for the transaction to process.

RECOMMENDATIONS

While the findings of this review reflect a period in which Bechtel SAIC Company was the managing contractor, we believe it would be beneficial to the current contractor if the Office of Civilian Radioactive Waste initiate the following recommendations:

1. Ensure that approving officials properly implement blanket letters of approval and ensure that letters and authority meet all policy requirements.
2. Ensure that all purchase transactions are reviewed and approved by the designated approving official prior to payment.
3. Ensure that the approving official completes the initial certification and in the future, ensure that approving officials are trained in a timely manner.
4. Ensure that the prohibition on sharing account numbers of purchase cards is enforced within the Project's program.
5. Consider consolidating recurring utility costs under a contract and using an alternate form of payment for the monthly services.

**MANAGEMENT
COMMENTS**

In comments on a draft of this report, management agreed with the report and its recommendations. We have included management's comments in Appendix C

**INSPECTOR
COMMENTS**

We consider management's comments to be responsive to our report.

Appendix A

SCOPE AND METHODOLOGY

The fieldwork for this inspection was conducted primarily between March and May 2009. As a part of this inspection, we visited the Yucca Mountain Project offices located in Las Vegas, Nevada and Washington, DC. We interviewed both Federal and Contractor procurement officials associated with the purchase card programs. We examined documents and records at all locations. Our document review and analysis included:

- Select purchase card transactions records from January 2007 to February 2009 for OCRWM and Bechtel;
- All Statements of Account and supporting documentation for OCRWM cardholders from June 2008 through January 2009;
- Prior Office of Inspector General reports;
- Relevant Federal policies and procedures; and,
- Relevant Bechtel policies and procedures.

Pursuant to the “Government Performance and Results Act of 1993,” we examined performance measurement processes as they related to purchase cards.

This inspection was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency.

**PRIOR OIG
REPORTS**

The following are previously issued OIG reports that are related to purchase cards.

- “Questionable Purchases at the Hanford Site” (INS-L-09-02, January 2009). This report found that the prime contractors at the Hanford Site made Government funded purchases that may have conflicted with Federal regulations and policies.
- “Sandia National Laboratory-California Purchase Card Program” (DOE/IG-0754, January 2007). This report found that Sandia’s internal controls did not ensure that purchases made using purchase cards were in accordance with applicable policies and procedures, transactions lacked the required description of the items procured, and restricted items were purchased without the required authorization. The report also found that the percentage of Sandia employees issued purchase cards was not consistent with purchase card guidance on limiting the number of purchase card users.
- “Selected Purchase Card Transactions at the Nevada Site Office” (INS-O-06-01, November 2005). This report found that purchase card transactions were not always reviewed and approved by designated approving officials; purchase cardholders and designated approving officials were not completing refresher training within required timeframes; there were inconsistencies with how the purchase card program was administered; and monthly bank statements were not reconciled with purchase card financial records.
- “The Department’s Federal Purchase Card Program at Headquarters” (DOE/IG-0675, February 2005). This report found that purchase card programs were not always administered effectively and that implementation and executions of necessary and appropriate control procedures were sometimes not adequate.
- “Los Alamos National Laboratory’s Purchase card Program Corrective Actions” (DOE/IG-0644, April 2004). This report found that the Laboratory could enhance guidance to purchase cardholders by clarifying the rationale for items that should not be acquired by purchase card and the processes for seeking exceptions to those restrictions; could automate its data analysis techniques to identify purchases that did not comply with internal guidance;

and could enhance periodic reviews of cardholder activities by improving follow-up actions to correct noted problems and imposing sanctions for departures from established procedures

- “Sandia National Laboratories Purchase Card Program” (WR-B-02-03, August 2002). This report found that Sandia purchase cardholders purchased restricted items, split purchases to avoid transaction limits, and allowed unauthorized users to make purchases.
- “U.S. Department of Energy’s Purchase Card Programs - Lessons Learned” (I01OP001, February 2002). This report identified lessons learned that could be used to improve the operation and performance of the purchase card programs, including: developing comprehensive guidelines for purchase card processes; clearly delineating allowable and non-allowable items; taking aggressive steps to assure compliance with established policies and procedures; and establishing a system that provides a full accounting of the number of cardholders, cardholder status, and spending limitations.

Appendix C



August 17, 2009

MEMORANDUM FOR HERBERT RICHARDSON
PRINCIPAL DEPUTY INSPECTOR GENERAL
OFFICE OF INSPECTOR GENERAL

FROM: CHRISTOPHER A. KOUTS /s/
ACTING DIRECTOR
OFFICE OF CIVILIAN RADIOACTIVE
WASTE MANAGEMENT

SUBJECT: Comments on Inspector General Draft Inspection Report on "Yucca
Mountain Project Purchase Card Programs"

The purpose of this memorandum is to provide the attached Office of Civilian Radioactive Waste Management's responses to the identified recommendations in the subject draft report.

We appreciate the opportunity to comment on the draft report. If you have any questions, please contact Reggie James of my staff at 202-586-1487.

Attachment

cc:
L. Peterson, IG-40
M. Lewis, CF-1.2

**Response to Recommendations in Draft Inspection Report
“Yucca Mountain Project Purchase Card Programs” (S09IS010)**

RECOMMENDATION 1

Ensure that approving officials properly implement blanket letters of approval and ensure that letters and authority meet all policy requirements.

MANAGEMENT DECISION

Concur.

- A Blanket Purchase Authority Letter signed by the Approving Official (AO) will allow the cardholder to make purchases without getting prior approval from the AO as long as the purchase does not exceed the cardholder’s single purchase limit.
- Each cardholder has been issued a Blanket Purchase Authority Letter.

Actions completed.

RECOMMENDATION 2

Ensure that all purchase transactions are reviewed and approved by the designated approving official prior to payment.

Concur.

- The Approving Official (AO) will approve the cardholder’s monthly purchases by signing off on the monthly bank statement. Typically, the AO should sign off within a few days of receipt from the cardholder to ensure the payment is approved in VIAS by the 15th of each month. There could be instances where the payment is approved in VIAS by the Organizational Program Coordinator, but the bank statement shows the AO signed off after the 15th of the month.
- The AO’s signature and date on the cover page of the cardholder’s monthly Statement of Account implies a number of things, including but not limited to (1) all purchases were authorized, (2) the cardholder conducted market research, (3) the cardholder did not make repetitive purchases for the same item from one vendor, (4) requirements were not split, and (5) documentation for the purchase transaction is complete. If the AO is approving the Account Statement(s) well after the fact, there could be concerns in any one of the areas listed above.

- All program participants completed the OCRWM PCard Program Overview training session, which covered their roles and responsibilities, the monthly reconciliation process, purchase transaction documentation requirements, property tagging requirements, the names of the two designated AOs, etc.
- During the OCRWM PCard Program Overview training sessions, we discussed the estimated number of days to review and approve monthly purchases, and it was stated that all payments must be approved in VIAS by the 15th day of the month.

Action completed.

RECOMMENDATION 3

Ensure that the approving official completes the initial certification and in the future, ensure that the approving officials are trained in a timely manner.

MANAGEMENT DECISION

Concur.

- Each cardholder, the Approving Official (AO), and the Organizational Program Coordinator completed the required DOE PCard Program training.
- All program participants completed the OCRWM PCard Program Overview training session, which covered their roles and responsibilities, the monthly reconciliation process, purchase transaction documentation requirements, property tagging requirements, the names of the two designated AOs, etc.
- Before a person is designated an AO, the person must complete the required OCRWM PCard Program Overview training.

Actions completed.

RECOMMENDATION 4

Ensure that the prohibition on sharing account numbers of purchase cards is enforced within the Project program.

MANAGEMENT DECISION

- On July 13, 2009, the Acting Director of Procurement issued the following email to each of the cardholders, the Approving Officials, and the Organizational Program Coordinator:

As a DOE SmartPay2 Purchase Card Program cardholder, you are authorized to make purchases (within your delegated purchase limits) on behalf of the Federal government. In accordance with the *DOE Policy and Operating Procedures for the Use of the Government SmartPay2 Purchase Card* guidance, paragraph 2 - Definitions, Item (e)(3) states that the cardholder is the “**sole user of the card.**” This authority cannot be transferred to another person/DOE employee without obtaining an official delegation from the designated Approving Official and/or the DOE OCRWM Head of the Contracting Activity. If the cardholder is not following all of the DOE SmartPay2 Purchase Card Program procedures, per the OCRWM “*SmartPay2 Purchase Card Program*” supplemental procedure, paragraph III.8, the cardholder may be issued an **unauthorized purchase** notification and have their cardholder privileges changed, suspended, or terminated.

Action completed.

RECOMMENDATION 5

Consider consolidating recurring utility costs under a contract and using an alternate form of payment for the monthly services.

MANAGEMENT DECISION

Concur.

- DOE policy guidance (Paragraph 9 – PURCHASES, second paragraph) states “purchases of services may be made with the purchase card; however, if the nature of the service is subject to the Service Contract Act, refer the matter to the CO/AO. Such purchases should be fixed price or fixed hourly rate with a maximum ceiling. If the services are purchased on a recurring basis, **consideration should be given to consolidation under a contract.** The card may not be used unless ordering and delivery of the services can both occur within the billing period”
- OCRWM is determining if a purchase order/contract can be done at this point and time; if a purchase order can be issued OCRWM will replace the current agreements with a contractual vehicle.

Estimated date of closure: December 1, 2009

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