

U. S. Department of Housing and Urban Development

Office of Inspector General for Investigation

Inspections and Evaluations Division



Evaluation of HUD's Governmentwide Purchase Card Program

June 17, 2011

IED-11-003R

Executive Summary

The Office of Inspector General (OIG), Inspections and Evaluations Division, conducts independent, objective examinations of U.S. Department of Housing and Urban Development (HUD) activities, programs, operations, and organizational issues.

We conducted an evaluation of HUD's Governmentwide Purchase Card (GPC) Program. Our objective was to determine whether purchase card transactions complied with prescribed policies and procedures.

The GPC Program provides for the issuance of commercial purchase cards to eligible personnel in Federal agencies under contracts with the General Services Administration. The purpose is to minimize paperwork for authorized acquisitions of goods and services below the simplified acquisition threshold (\$150,000).

Within HUD, the Office of the Chief Human Capital Officer (OCHCO) administers the program and performs monitoring duties for transactions below the micropurchase threshold (\$3,000). The Office of the Chief Procurement Officer (OCPO) develops policy for the Program and monitors transactions above the micropurchase threshold.

Our review focused on Purchase Charge Card Account transactions that occurred between December 1, 2008, and September 30, 2010. We observed the following from our review of 73 transactions:

- Cardholders did not always ensure that (1) the availability of funds was properly documented, (2) required sources were used, (3) competitive bids were obtained when required, (4) purchase orders were used as required, (5) purchase logs were maintained, (6) sales tax charges were not paid, (7) purchase logs were reconciled with monthly bank statements, and (8) supporting records were retained for a sufficient period.
- Five of seventeen transactions reviewed were split purchases. A split purchase occurs when a purchase from a single vendor is broken down into two or more purchases to avoid requirements applicable to purchases exceeding the micropurchase threshold or a cardholder's single purchase limit.

The problems described in this report indicate vulnerability to fraud, waste, and abuse of the GPC Program. To improve the effectiveness of the GPC Program, steps must be taken by OCPO and OCHCO. These steps include ensuring that (1) purchase card transactions are conducted in accordance with applicable laws and regulations, (2) managers and approving officials perform a thorough review for potential split purchases, and (3) cardholders are properly trained.

We provided a draft copy of the report to OCHCO and OCPO on May 25, 2011, and received written comments on June 3, 2011 and June 15, 2011 respectively. OCHCO and OCPO agreed with our observations and recommendations in the report. The complete text of OCHCO's and OCPO's response is included in appendixes A and B.

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Introduction

The Governmentwide Purchase Card (GPC) Program authorizes the issuance of commercial purchase cards to eligible personnel in Federal agencies under a contract through the General Services Administration (GSA). The cards are issued through major national banks. The purpose of the Program is to minimize the paperwork needed to make properly authorized purchases of goods and services under the simplified acquisition threshold (SAT) to further the Federal agency's mission. The current SAT is \$150,000. In 1998, GSA initiated the SmartPay Program to enable Federal agencies to efficiently manage their purchase card programs with transaction reporting software and a centralized billing system.

At the U.S. Department of Housing and Urban Development (HUD), the Office of the Chief Procurement Officer (OCPO) and Office of the Chief Human Capital Officer (OCHCO) are primarily responsible for administering and maintaining the Program.

HUD's GPC Program includes four corporate accounts. Our review covered Purchase Charge Card Accounts only. Headquarters and field cardholders use these accounts to support routine operations.

OCPO is responsible for developing policy for the overall GPC Program. OCHCO administers the Program in headquarters and in the field. Cardholders are normally granted authority to make purchases at or below the micropurchase threshold, which is currently \$3,000 for supplies, \$2,500 for services, and \$2,000 for construction. OCPO can grant cardholders the authority to make purchases above these levels. Individual cardholders may be further restricted by single or monthly purchase limits on their cards. A "single purchase" limit is a total of those items that may be purchased at one time from a particular vendor. A "monthly purchase" limit is the maximum total dollar amount the cardholder is authorized to procure each month.¹

Appendix C shows the difference in the roles and responsibilities of the key players in the GPC Program. Appendix D outlines the procurement procedures that should be followed for the GPC Program.

The GPC Program is governed by various provisions of the Federal Acquisition Regulation (FAR), Title 48, chapters 1 and 24 (also known as the HUD Acquisition Regulation), supplemented by HUD Handbook 2210.3, Procurement Policies and Procedures. HUD Handbook 2212.1 REV-2, Government Wide Commercial Credit Card Program, provides specific guidance to individual cardholders and approvers. In addition, each new HUD cardholder is required by OMB Circular A-123, Attachment B, Revised, dated January 15, 2009 to receive training concerning his/her duties and responsibilities before initially assuming cardholder responsibilities and, at a minimum, every three years thereafter. This OMB document prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs. Each new cardholder who is given authority below the micropurchase threshold is also provided with a delegation of procurement authority memorandum from OCHCO. Each cardholder given

¹ Draft GPC Guide, OCPO & OBAS [Office of Budget and Administrative Support], dated June 2010, section 4(a)(6)

authority above this threshold is provided with a delegation of procurement authority letter from OCPO. This memorandum requires that each cardholder follow a specific set of rules and procedures provided in an attached document entitled “Purchase Charge Cardholder Responsibilities and Procedures.” For example, field cardholders must ensure that an Administrative Client Request/Response System (ACRS) request or Requisition for Supplies, Equipment, Forms, Publications, and Procurement Services (form HUD-10.4) is prepared and signed by the approving official and the individual responsible for verifying the availability of funds. Headquarters cardholders must ensure that a form HUD-10.4 is prepared and signed by the approving official and the individual responsible for verifying the availability of funds.

Statistics/Fiscal Purchases

During the period of our review, HUD spent more than \$17.6 million under the program. The breakout of purchases above and below the micropurchase threshold is shown below.

	Above MPT*	Below MPT	Total
Transactions amount	\$4,078,843.48	\$13,610,507.45	\$17,689,350.93
Number of transactions	288	36,032	36,320
Number of cardholders	9	243 ²	243
Number of approving officials	6	97 ³	97

* micropurchase threshold

Scope and Methodology

We interviewed headquarters and field program coordinators and OCPO staff to gain an understanding of the program. We also reviewed the FAR and applicable HUD requirements. The evaluation work was performed at HUD’s Washington, DC, headquarters. Supporting documents from field offices were provided by mail. The review was limited to transactions from headquarters and the field processed through HUD’s Purchase Charge Card Accounts between December 1, 2008, and September 30, 2010.

We selected a total of 73 transactions for review. Fifty six transactions were selected to determine whether they complied with applicable requirements. A breakdown of sample transactions is shown below.

	Up to MPT	Above MPT
Total transaction amount	\$17,334.63	\$731,758.78
Number of transactions	24	32
Number of cardholders	22	9
Number of approving officials	20	6

² Number includes nine cardholders who made purchases above the micropurchase threshold.

³ Number includes six approving officials who also approved purchases above the micropurchase threshold.

The remaining 17 transactions were judgmentally selected from 818 potentially duplicate and/or split transactions that occurred during the period. The criteria used for a duplicate transaction was one that consisted of two or more charges in a single day from one vendor. The criteria for our selection of split transactions were those that consisted of two or more charges in a single day from the same vendor for individual amounts that would exceed the micropurchase threshold or the cardholder's single purchase limit in total.

We conducted the inspection/evaluation in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

Observations

Observation 1: HUD Needs To Improve Its Governmentwide Purchase Card Program

Cardholders did not follow the FAR and HUD requirements governing the use of purchase charge cards for 38 of 56 transactions reviewed. Problems noted included (1) availability of funds not properly documented, (2) required sources not used, (3) competitive bids not obtained when required, (4) purchase orders not used as required, (5) purchase logs not maintained, (6) sales tax charges not disputed with vendors, (7) purchase logs not reconciled with monthly bank statements, and (8) supporting records not retained for a sufficient period. For a number of transactions, multiple problems were noted.

These problems are attributable, in part, to insufficient reviews of transactions involving headquarters cardholders and insufficient training of headquarters cardholders with purchase authority exceeding the micropurchase threshold. In addition, HUD permits certain headquarters cardholders to make purchases above the micropurchase threshold contrary to the provisions of the FAR.

The Purchase Charge Cardholder Responsibilities and Procedures attached to the delegation of authority provides that, before making a purchase, each cardholder must

- Verify and document the availability of funds. Headquarters cardholders must ensure that a form HUD-10.4 is prepared and signed by the approving official and the individual responsible for verifying the availability of funds. Field cardholders may use an ACRS request or a form HUD-10.4 for these functions.
- Consider required sources such as Federal Prisons Industries (UNICOR) and National Industries of the Blind (NIB), etc. (FAR 8.002 specifies the priorities for use of Government supply sources).
- Obtain at least three competitive bids when he/she receives a request for a purchase above the \$3,000 micropurchase limit. A purchase order must be issued and for purchases above \$3,000.
- Maintain charge card logs which record all purchases made during the billing cycle.
- Reconcile items purchased shown on monthly statements from the participating bank with purchase logs and submit to the approving official within five business days.
- Retain copies of purchase charge card records for three years including copies of request documents, itemized invoices or receiving reports, bank statements, purchase logs, and competitive bids when required.

Handbook 2212.1 REV-2, chapter 3, paragraph 3-4, provides that no Federal or State sales tax should be paid. If sales tax is included in the bill amount, the discrepancy must be resolved directly with the vendor.

In addition FAR section 13.301(c), provides that purchase cards may only be used to make micropurchases, place a task or delivery order if authorized in the basic contract, or make contract payments when the contractor agrees to accept payment by card. Purchases above the

micropurchase level that do not involve a task order or contract payments must be made using simplified acquisition procedures.

Our review of 56 purchase transactions indicated that cardholders had not

- Documented the availability of funds by completing form HUD-10.4 or ACRS reports signed by an approver and the person responsible for verifying fund availability in 12 instances.
- Purchased an item from an available mandatory source in one instance. The cardholder did not document the reason why the mandatory source was not used.
- Performed market research to obtain at least three quotes for purchases above the micropurchase threshold in six instances.
- Maintained a purchase charge card log in at least eight instances.
- Reconciled the monthly bank statement with the purchase log in one instance.
- Maintained copies of records supporting one purchase transaction for the required three years.
- Resolved a sales tax charge of \$255 with the vendor in one instance.
- Issued a purchase order for transactions above the micropurchase threshold but, instead, used the charge card to complete these transactions in 28 instances. Most of these purchases were made by five cardholders in headquarters whose single purchase limit exceeded the \$3,000 micropurchase threshold. The remaining purchases were made by cardholders whose single purchase limits were below \$3,000 but who were granted waivers in individual cases so that they could complete purchases above \$3,000.

In addition, these 28 purchases included two transactions that were initially estimated to be below the micropurchase threshold and the cardholders' card limits. Both transactions involved rental of hotel conference rooms for training purposes. In one case, the cost estimate was \$3,000. In the other, it was slightly under \$3,000. Since neither hotel provided a firm quote at or below the threshold, the cardholders should have told the requestors to submit requisitions to the appropriate purchasing offices. However, in each case, the cardholder was granted a one time increase or override of the card limit in order to make a payment in excess of \$3,000 when the hotel invoice exceeded the original estimate.

OCHCO has not performed a review of headquarters transactions since 2008. Handbook 2212.1 Rev-2, chapter 5, paragraph 5-6 requires that evaluations of the Department's Governmentwide Card program be performed in Headquarters and the field. An OCHCO representative told us that OCHCO lacked the resources to perform purchase card audits. We also noted that four of

five cardholders in headquarters with single purchase limits above \$3,000 had not yet completed required contracting training Federal Acquisition Certification in Contracting (FAC-C) is required for employees issued new Contracting Officer warrants after 2006. This certification has minimum requirements for education, including 24 business credits from an accredited institution, and for additional contracting training. One of the five Headquarters cardholders with purchase authority above the micropurchase threshold had been issued a new warrant after December 31, 2006. The other four cardholders, who had warrants issued before this date, had to complete the training requirements only. February 2011 memorandums from OCPO addressed to the five Headquarters cardholders required all five to complete the training and/or educational requirements of the FAC-C program by September 30, 2011. Only one of the five had completed the applicable requirements at the time of our review. Further, OCHCO permitted all five cardholders to make purchases above the micropurchase threshold contrary to the FAR, which requires the use of simplified acquisition procedures for these transactions.

Observation 2: Purchase Cardholders Made Split Purchases

Purchase cardholders split purchases contrary to requirements for five of 17 transactions reviewed. As a result, HUD may not have obtained the most competitive prices for the items purchased. Also, vulnerability to fraud and abuse in the cardholder program was increased.

HUD Handbook 2212.1, chapter 3, paragraph 3-4, prohibits cardholders from splitting purchases to stay within the single purchase spending limit. Provisions of the FAR at subpart 13.003(c)(2) prohibit breaking down purchases merely to avoid a requirement that applies to purchases exceeding the \$3,000 micropurchase threshold. The five transactions consisted of purchases of information technology (IT) equipment, file cabinets, and storage boxes in August, September, and November 2009, respectively, and of ceremony items (awards, plaques) and copier toner in March and July 2010, respectively. The IT equipment acquisition was split into three separate charges that if combined, would have exceeded the cardholder's single purchase limit. The transactions for file cabinets and storage boxes consisted of orders made over several days in amounts slightly below the micropurchase threshold. The charges for storage boxes were each \$2,999. The total purchase amount for the ceremony items was slightly above the micropurchase threshold but was evenly divided into two separate charges. The toner purchase was split into two charges. Each charge was for a different color toner in an amount slightly below the micropurchase threshold.

An OCHCO representative agreed that the acquisition of file cabinets met the criteria for a split purchase. Cardholders responsible for the other four transactions either provided no explanation or claimed that the decision on the quantity and timing of items purchased was based on the needs of the office and not on a desire to avoid exceeding the micropurchase threshold.

Permitting cardholders to split purchases increases HUD's vulnerability to fraud and waste because purchases made below the micropurchase threshold are subject to different controls than purchases above the threshold. For example, purchases made below the threshold do not require that a purchase order be issued. In addition, because cardholders are not required to obtain competitive quotes for purchases below the micro purchase threshold, the Government may not have benefited from the lower prices that competitive quotes could have provided.

Recommendations

We recommend that OCHCO and OCPO

1. Reemphasize to all cardholders and approving officials that they must comply with requirements applicable to purchase cards including the requirements to complete forms HUD 10.4 and ACRS requests, maintain purchase logs, use mandatory sources when possible, dispute State sales tax charges, and maintain supporting documentation on file for all transactions.
2. Resume audits of purchase card transactions made by cardholders on a regular basis in accordance with HUD policies.
3. Require the cardholder and approver responsible for the sales tax charge of \$255 to obtain a credit in that amount from the vendor. Also, ensure that purchase cardholders verify whether or not sales taxes have been charged. Sales taxes that have been charged must be immediately disputed.
4. Require all cardholders with single purchase limits above \$3,000 to complete contracting training if they have not yet done so.
5. Instruct all cardholders with single purchase limits above \$3,000 that purchase transactions above the micropurchase level that do not involve either a task order or contract payments must be carried out using simplified acquisition procedures in accordance with the FAR. An alternative would be to reduce all cardholders' single purchase limits to \$3,000.
6. Reemphasize to all cardholders that they must not intentionally separate purchases in order to avoid exceeding micropurchase thresholds or single purchase limits.
7. Ensure that managers and approving officials comply with Federal and departmental policies to incorporate a thorough review for split purchases when approving and monitoring purchase card transactions. Cardholders who have carried out split purchases should have their purchase card responsibilities discontinued if they carry out additional split purchases.

Comments and OIG Response

We provided a draft copy of the report to HUD's Office of Chief Human Capital Officer (OCHCO) and Office of Chief Procurement Officer (OCPO) on May 25, 2011. The OCHCO's response was received on June 3, 2011 (Appendix A). The OCPO's response was received on June 15, 2011 (Appendix B). The OCHCO and OCPO agreed with our observations and concurred with our seven recommendations. We recognized OCHCO's and OCPO's effort to improve the operations of the Governmentwide Purchase Card Program. However, the recommendations remain open pending verification of corrective actions. OIG will follow up with the OCHCO and OCPO to determine the status of the corrective actions taken

Appendix A – HUD Office of the Chief Human Capital Officer’s Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3006

CHIEF HUMAN CAPITAL OFFICER

MEMORANDUM FOR: James B. Ward, Director, Inspection and Evaluations Division, GIH
FROM: *Karen B. Jackson*
for Janie L. Payne, Chief Human Capital Officer, A
RESPONSE: Response to Office of Inspector General Draft Audit Report,
Evaluation of HUD’s Government-wide Purchase Card Program,
IED-11-003R

We have reviewed the subject draft audit report on your review of HUD’s Government-wide Purchase Card Program to determine whether purchase card transactions complied with prescribed policies and procedures. The Office of the Chief Human Capital Officer (OCHCO) agrees with the seven Recommendations which are restated in italics below and is followed by our response.

- 1. Reemphasize to all cardholders and approvers that they must comply with requirements applicable to purchase cards including the requirements to complete forms HUD 10.4 and ACRS requests, maintain purchase logs, use mandatory sources when possible, dispute State sales tax charges, and maintain supporting documentation on file for all transactions.*

All cardholders and approving officials will be trained/retrained on the proper use of the government purchase card and HUD’s processing policies.

- 2. Resume audits of purchase card transactions made by headquarters cardholders on a regular basis in accordance with HUD policies.*

OCHCO is in the process of establishing an internal controls and risk management function within OCHCO Support Services. This team, lead by Guy Wilson, will spearhead efforts to implement purchase card audits and to improve internal controls within this vital area.

- 3. Require the cardholder and approver responsible for the sales tax charge of \$511 to obtain a credit in that amount from the vendor.*

OCHCO concurs with the understanding that the sales tax has been recalculated to a lesser amount.

- 4. Require all cardholders with single purchase limits above \$3,000 to complete contracting training if they have not yet done so.*

www.hud.gov

espanol.hud.gov

At this time, one cardholder has completed the FAC-C certification and another is in the process of completing the certification.

5. *Instruct all cardholders with single purchase limits above \$3,000 that purchase transactions above the micropurchase level that do not involve either a task order or contract payments must be carried out using simplified acquisition procedures in accordance with the FAR. An alternative would be to reduce these cardholders' single purchase limits to \$3,000.*

All cardholders and approving officials will be trained/retrained on the proper use of the government purchase card and HUD's processing policies.

6. *Reemphasize to all cardholders that they must not carry out split purchases to avoid micropurchase thresholds or single purchase card limits.*

All cardholders and approving officials will be trained/retrained on the proper use of the government purchase card and HUD's processing policies.

7. *Ensure that managers and approving officials comply with Federal and departmental policies to incorporate a thorough review for split purchases when approving and monitoring purchase card transactions. Cardholders who have carried out split purchases should have their purchase card responsibilities discontinued if they carry out additional split purchases.*

Thank you for the opportunity to comment on the draft report. If you have any questions concerning this response, please contact Carlos Dominguez, Director, Office of Support Services, at 202.402.6528.

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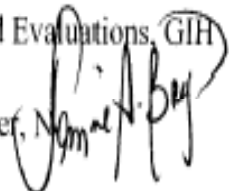
Appendix B – HUD Office of the Chief Procurement Officer’s Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

CHIEF PROCUREMENT OFFICER

JUN 15 2011

MEMORANDUM FOR: James B. Ward, Director of Inspections and Evaluations, GIH
FROM: Jemine A. Bryon, Chief Procurement Officer, 
SUBJECT: Draft Audit Report IED-11-003R, Evaluation of HUD’s
Government-wide Purchase Card Program

OCPO appreciates the Inspector General’s review of, and recommendations for, HUD’s Government-wide Purchase Card (GPC) Program. OCPO concurs in the OIG’s assessment that further improvements are needed to strengthen the department’s GPC Program controls, and remains committed to improving HUD’s overall GPC Program. OCPO has provided comments to each recommendation individually herein.

For questions regarding this memorandum, please contact Ms. Elie F. Stowe at 202-402-3556 or at Elie.F.Stowe@hud.gov.

Attachment

cc: Janie Payne, Chief Human Capital Officer, A

RECOMMENDATION 1: Reemphasize to all cardholders and approving officials that they must comply with requirements applicable to purchase cards including the requirements to complete forms HUD 10.4 and ACRS request, maintain purchase logs, use mandatory sources when possible, dispute State sales tax charges, and maintain supporting documentation on file for all transactions.

OCPO concurs with the recommendation and will remind all GPC cardholders and Approving Officials (AOs) of the requirements applicable to GPC Program transactions. OCPO will ensure all cardholders are trained on the updated HUD GPC Policy Guide (now in final review), which identifies the policies and procedures for using the GPC within HUD, and identifies tools and oversight requirements for effective management of the Program. (The GPC Guide summarizes the GPC cardholders' and AOs' duties and responsibilities; defines levels of responsibility and accountability; identifies the pre-approval, purchase, and verification procedures for both GPC Purchase-and-Pay and Pay-Only transactions; and identifies the penalties for misuse, abuse, and fraud.)

RECOMMENDATION 2: Resume audits of purchase card transactions made by cardholders on a regular basis in accordance with HUD policies.

OCPO concurs with the recommendation and will ensure regular audits of GPC transactions take place. OCPO's last audit of the HUD GPC program was performed in 2009, as required by OMB A-123 guidance pertaining to Agency internal controls. Under the revised policy, OCPO will, in conjunction with OCHCO, review the GPC program at least annually to ensure cardholders and AOs are adhering to GPC program requirements. Random spot-checks and planned internal reviews will also be conducted. Appendix F of the GPC Guide, and OCPO's *Government GPC Program Audit Review Guide* (for reviewing transactions over the micro-purchase threshold) will be used in the conduct of these reviews to ensure proper management and internal controls are maintained over the GPC Program.

RECOMMENDATION 3: Require the cardholder and approver responsible for the sales tax charge of \$255 to obtain a credit in that amount from the vendor. Also, ensure that purchase cardholders verify whether or not sales taxes have been charged. Sales taxes that have been charged must be immediately disputed.

OCPO concurs with the recommendation and will ensure all cardholders are aware of the prohibition against paying sales tax. In addition, OCPO will ensure the GPC cardholder and AO obtain credit in the amount of \$255 from the vendor.

RECOMMENDATION 4: Require all cardholders with single purchase limits above \$3,000 to complete contracting training if they have not yet done so.

OCPO concurs with the recommendation. An OCPO memorandum dated February 2011 was sent to all GPC cardholders with single-purchase limits above the micro-purchase thresholds. That memo required completion of the specified training by September 30, 2011. Failure to meet the terms of that memorandum will result in revocation of warrants and reduction of procurement authority to those actions valued under the micro-purchase thresholds, or removal from the GPC program.

RECOMMENDATION 5: Instruct all cardholders with single purchase limits above \$3,000 that purchase transactions above the micro-purchase level must be carried out using simplified acquisition procedures in accordance with the FAR. An alternative would be to reduce all cardholders' single purchase limits to \$3,000.

OCPO concurs with the recommendation and will ensure all GPC cardholders are aware of the processes and procedures for making purchases above the micro-purchase thresholds. Chapter 4(b) of the GPC Guide, *Purchases over the Micro-Purchase Threshold*, requires cardholders to follow the policies and procedures in FAR Part 13 and HUDAR Part 2413, *Simplified Acquisition Procedures*, with respect to purchases that exceed the micro-purchase thresholds. It is for these transactions that the GPC cardholder acts in his/her capacity as a warranted Contracting Officer, and must adhere to additional requirements, such as public notice, competition, regulatory and socio-economic considerations (small-business, use of appropriate provisions and clauses, etc.), and the reporting of data. Failure to conform to the statutory, regulatory and/or procedural requirements of the FAR, HUDAR and other applicable HUD guidance will result in the removal of delegated procurement authority.

RECOMMENDATION 6: Reemphasize to all cardholders that they must not intentionally separate purchases in order to stay within the micro-purchase threshold or single purchase limit.

OCPO concurs with the recommendation and will ensure GPC cardholders are aware of the prohibition against splitting purchases. Chapter 4(a)(5) of the GPC Guide, *Determine if Purchase is Within Dollar Limits*, requires GPC cardholders to submit requirements exceeding their single-purchase limit to a GPC cardholder with a higher single-purchase limit, or to OCPO, for processing.

RECOMMENDATION 7: Ensure that managers and approving officials comply with Federal and Departmental policies to incorporate a thorough review for split purchases when approving and monitoring purchase card transactions. Cardholders who have carried out split purchases should have their purchase card responsibilities discontinued if they carry out additional split purchases.

OCPO concurs with this recommendation. Chapter 7 of the GPC Guide, *Oversight and Surveillance of the GPC Program*, already incorporates effective management controls to ensure managers and AOs conduct thorough reviews for split purchases when approving and monitoring GPC transactions. OCPO will further train AOs on the procedures for reviewing each GPC cardholder's monthly statement, to include verifying: (a) the appropriateness of each item purchased; (b) that HUD received the purchased items; (c) that the transactions were supported by the appropriate documentation; and (d) the accuracy of GPC Logs maintained by cardholders. HUD will also increase its use of automated monitoring tools to detect split purchases and other prohibited or questionable transactions. OCPO will ensure that GPC cardholders who violate the FAR requirements will receive additional training, and upon further instances, be relieved of GPC duties.

Appendix C – Roles and Responsibilities in HUD’s Governmentwide Purchase Card Program

Division	Responsibilities
GSA	<ul style="list-style-type: none"> • Governmentwide administration and monitoring of the GSA SmartPay Program
OCPO – Policy, Systems & Oversight Division	<ul style="list-style-type: none"> • Develops policy for HUD’s GPC Program • Grants authority to cardholders to make purchases above the micro-purchase threshold (MPT)⁴ • Audits transactions above the MPT
OCHCO	<ul style="list-style-type: none"> • Administers the purchase card program in headquarters and the field • Audits transactions below the MPT • Prepares GPC reports for the Office of Management and Budget • Serves as a liaison between the cardholder and servicing bank • Issues cards to designated/authorized cardholders
Office of Accounting	<ul style="list-style-type: none"> • Serves as a liaison between the program finance office and the agency/organization program coordinators (A/OPC) • Verifies availability of funds • Downloads and pays invoices from the servicing bank in compliance with the Prompt Payment Act
Servicing bank - Citibank	<ul style="list-style-type: none"> • Awarded a SmartPay contract with HUD to run from November 30, 2008, to November 29, 2012
A/OPC	<ul style="list-style-type: none"> • Maintains up-to-date information on the cardholders • Participates in training conferences and trains cardholders • Ensures that cardholders use the cards correctly • Monitors account activity and manages delinquencies • Ensures that appropriate steps are taken to mitigate suspension and cancellation actions
Approving official	<ul style="list-style-type: none"> • Designates and monitors cardholder in a specific organizational unit • Reviews the appropriateness of each purchase by cardholders • Reviews monthly billing statements

⁴ The current MPT is \$3,000 for supplies, \$2,500 for services, and \$2,000 for construction. The FAR, subpart 2.101, https://www.acquisition.gov/far/current/html/Subpart%202_1.html#wp1145507

Appendix C – Continued

Division	Responsibilities
Cardholder	<ul style="list-style-type: none">• Secures the card• Maintains a purchase log• Uses the card only to make informed buys of approved supplies and services• Ensures availability of funds before purchase• Is aware of reasonable prices offered in the marketplace• Observes all dollar limits on purchases• Reconciles and documents transactions• Uses the card ethically• Complies with the Federal Acquisition Regulation and HUD’s policies, procedures, and regulations governing the purchase card program

Appendix D – Procurement Process for HUD’s Governmentwide Purchase Card Program

Amount	Process
Up to MPT	<ul style="list-style-type: none"> • Determine eligibility for purchase • Obtain approval through requisition documents • Verify funding availability • Research vendor for purchase (required source or other) • Make purchase without sales tax or surcharge • Arrange for delivery; billing should occur upon shipment • Register purchase in log • Receive products/services • Receive and reconcile monthly bank statement • Maintain supporting documentation for purchase • Submit support to approving official for review/approval • Send bank statement with attached support to Office of Chief Financial Officer
Above MPT and up to SAT	<ul style="list-style-type: none"> • Follow the procedures above • Have OCPO approval to make purchases as a contractor • Follow the five phases of the contracting process (planning, solicitation, evaluation, award, post award) • Use purchase order • Enter transaction into the Federal Procurement Data System - Next Generation (HUD’s small purchase system) • Publicize solicitation for bids • Set aside purchases for small businesses if two small businesses meet purchase requirements • May obtain competition from other businesses if two small businesses do not meet criteria