



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

December 18, 2008

VIA FACSIMILE: (202) 653-5151

William E. Reukauf
Acting Special Counsel
U.S. Office of Special Counsel
1730 M Street, NW
Suite 218
Washington, DC 20036-4505

Re: OSC File No. DI08-1101

Dear Mr. Reukauf:

The purpose of this letter is to advise you of our investigative findings concerning the above-captioned case. Secretary Carlos Gutierrez has delegated to me, the authority to investigate, resolve, and report Departmental actions regarding this matter; specifically, a disclosure made to the Office of Special Counsel that Fred Fanning, Director for Administrative Services, U.S. Department of Commerce, authorized a split purchase of approximately \$163,000 for property scanners, via a government credit card. By allegedly splitting the procurement, the purchase circumvented the Commerce Acquisition Manual (CAM) \$100,000 limit and the need for an acquisition waiver, which would have required authorization from the Department of Commerce (DOC) Chief Financial Officer and Assistant Secretary for Administration.

During the course of our investigation we identified and interviewed a total of fourteen individuals who were involved with the referenced purchase, including; the DOC Director of Administrative Services, the DOC Personal Property Management Division Chief, the DOC Head Contracting Officer (HCO), procurement officials in the DOC Office of Acquisition Management, both the current and former Agency Program Coordinators (APC) for the DOC Purchase Card Program, and the Cardholder. In addition, we obtained and reviewed all identified documentation related to the purchase.

Our investigation *did not substantiate the allegations made against Fanning* that the referenced purchase was split into two transactions in order to avoid CAM requirements. DOC Office of Inspector General (OIG) obtained documentation, sent to Commerce employees by the vendor, which disclosed that the procurement was split into two transactions of \$80,000 and \$82,996.60 because the vendor was unable to process credit card transactions over \$99,000. In other words, the vendor unilaterally split the

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transaction into two separate payments in order to process the purchase through their credit card payment system.

However, our investigation did disclose that the referenced purchase did not follow proper prescribed policy as outlined in the CAM Part 1313.301 Section 2. Specifically:

- The CAM reads in relevant part that, “The single purchase limit for Cardholders in an acquisition position is up to a maximum of \$100,000. The single purchase limit for Cardholders not in an acquisition position is generally the micro-purchase threshold (\$3,000) with a monthly billing cycle limit of \$10,000, but may be delegated authority up to \$25,000 if the required education and training has been met.”

In this case, the Cardholder did receive training to make a single purchase above the micro-purchase threshold and up to \$25,000. However, she was not in an acquisition position and she did not have the required education, training, or authority to make a single purchase over \$25,000.

- Second, the CAM provides that, “When justified, the HCO may delegate authority up to \$100,000 to Cardholders not in an acquisition position, but use of the card will be limited (for orders between \$25,000 and \$100,000) to orders from required sources of supply and payments against established DOC contracts.” Furthermore, “Cardholders may request temporary or permanent increases in their purchase limits from the HCO (through their approving official and APC). The APC will maintain a record of each notification... Temporary increases over the micro-purchase threshold must be adequately justified and require review and approval by the servicing HCO, or delegated APC.”

In order to make the procurement in question, Curtia Taylor, DOC Agency Program Coordinator (APC) at the time of the purchase, increased this non-acquisition Cardholder’s single purchase limit to \$163,000.

When interviewed, Taylor stated that it was customary to increase Cardholders’ limits, but it was never done over \$100,000. Taylor also stated that she thought this particular request was “high” and, although she does not specifically recall, she would have sought guidance from the DOC HCO before approving the purchase card increase. Finally, in this case, she stated she did not obtain written documentation from the HCO regarding authorization for the purchase card limit increase in question.

In his interview, DOC HCO at the time Michael Anastasio, claimed he did not recall a specific conversation with Taylor regarding this transaction, but that if she says she consulted with him, then she did.

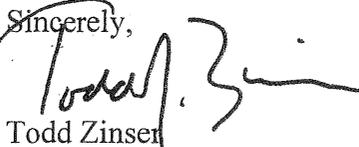
The events related to this matter indicate that a breakdown in training and procedures led to a failure to comply with policy requirements. However, our investigation did not disclose evidence to indicate this was done with intent to violate or bypass said policy. Taylor and Anastasio are no longer employed at DOC.

We have discussed this matter with DOC senior management. They have indicated that they had previously identified concerns regarding acquisition authorities granted to non-acquisition personnel and developed a revised CAM Part 1313.301 that they plan to issue during December 2008. This revised CAM Part restricts purchase card authority to the micro-purchase threshold (\$3,000) and requires any acquisition or non-acquisition personnel requiring greater authority to meet the government-wide Level I Contracting Officer FAC-C certification requirements.

As a remedy for the internal control issue of lack of documentation of increased authorities granted, they intend to enforce provisions of the updated CAM Part, requiring requests for increased authorities to be in writing and establish an electronic log that will track the disposition of all requests. In addition, the Senior Procurement Executive will validate the completion of required training by all agency APCs and ensure any APC not currently having the required training completes that training within a defined period of time. Any individual failing to do so will be removed from their role as APC.

If you have any questions, or need additional information, please contact me directly at (202) 482-4661, or Assistant Inspector General for Investigations Scott Berenberg at (202) 482-3860.

Sincerely,


Todd Zinser
Inspector General