



Purchase Card Forensics

Report No. OIG-AMR-84-18-03

CONTENTS

| | |
|---|-----------------|
| EXECUTIVE SUMMARY | 1 |
| BACKGROUND..... | 2 |
| OBJECTIVES, SCOPE AND METHODOLOGY..... | 2 |
| TESTING OF TRANSACTIONS | 4 |
| <i>Sampled Transactions.....</i> | <i>4</i> |
| <i>First Quarter.....</i> | <i>4</i> |
| <i>Second Quarter.....</i> | <i>5</i> |
| <i>Individually Significant Transactions</i> | <i>5</i> |
| RECOMMENDATIONS | 6 |
| APPENDIX | |

Memorandum from the Acting Chief Financial Officer, Response to
Report No. OIG-AMR-84-XX-XX Purchase Card Forensics, dated August
7, 2018

EXECUTIVE SUMMARY

The General Services Administration (GSA) administers the Federal Government's credit card program. GSA contracts with commercial banks to issue credit cards to Federal employees to make official purchases. The credit cards are generally referred to as "purchase cards." In October 2016, the Information Technology Committee of the Council of Inspector Generals for Integrity and Efficiency initiated a Governmentwide project on purchase card transactions. This project will consist of analyzing and reviewing transactions to identify high risk transactions and then verifying that those transactions were appropriate.

The objectives of the audit were to identify transactions involving misuse of the purchase card and to determine if there were any deficiencies in the purchase card internal controls that resulted in the failure to prevent or identify the misuse. The scope of the audit was purchase card transactions during the first and second quarters of Fiscal Year 2017.

Our testing did not identify any instances of misuse by Agency employees in that purchase card transactions in our sample appeared to be for an apparent Government need. We did, however, observe internal control issues related to proper documentation and review of the purchase card transactions. Because similar findings are addressed with recommendations in the Purchase Card audit (OIG-AMR-80), we did not make any additional recommendations in this report.

The Acting Chief Financial Officer submitted Management Comments on the draft report that concur with the findings. The Acting Chief Financial Officer noted that the Agency will develop a Corrective Action Plan to assist in tracking the Agency's progress in addressing the findings. The Management Comments are provided in their entirety as an appendix to the report.

BACKGROUND

The General Services Administration (GSA) administers the Federal Government's credit card program. GSA contracts with commercial banks to issue credit cards to Federal employees to make official purchases. The credit cards are generally referred to as "purchase cards." Use of the purchase card is intended to streamline the acquisition and payment process for small-dollar requirements, minimize, and generally simplify the administrative effort associated with procuring goods and services under the micropurchase threshold.

The Government Charge Card Abuse Prevention Act of 2012, P.L. 112-194, enacted on October 5, 2012, was designed to prevent recurring waste, fraud, and abuse of Governmentwide charge cards.

In October 2016, the Information Technology Committee of the Council of Inspector Generals for Integrity and Efficiency initiated a Governmentwide project on purchase card transactions. This project will consist of analyzing and reviewing transactions to identify high risk transactions and then verifying that those transactions were appropriate.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were to identify transactions involving misuse of the purchase card and to determine if there were any deficiencies in the purchase card internal controls that resulted in the failure to prevent or identify the misuse. The scope of the audit is purchase card transactions during the first and second quarters of Fiscal Year (FY) 2017.

We interviewed staff in the Acquisitions Management Branch (AMB) and reviewed the Agency's Purchase Card Management Plan to identify internal controls over purchase card transactions. We downloaded the purchase card transactions for the scope period from the Citibank Purchase Card Reporting System. We obtained a listing of prohibited and questionable Merchant Category Codes (MCC) from AMB.

We received a data analytics tool from the U.S. Department of Agriculture Office of Inspector General (USDA OIG) and, using IDEA, input the purchase card transactions and the MCC listing into the data analytics tool. We used the outputs of the data analytics tool to identify high risk purchase card transactions and select a statistically valid random sample of 23 high risk purchase card transactions for each quarter. USDA OIG based the sample size on a 95 percent confidence level, an expected error rate below 10 percent for each quarter, and an acceptable error rate of 20 percent in the two quarters combined. The results of our test can be projected to the population of high risk purchase card transactions. The relationship between the universe of transactions and the sample tested is shown in the table below:

| | First Quarter FY 2018 (10/1/16 – 12/31/16) | | Second Quarter FY 2018 (1/1/17 – 3/31/17) | |
|-----------------------------------|---|---------------|--|---------------|
| | Number of transactions | Dollar Amount | Number of transactions | Dollar Amount |
| Universe of transactions | 958 | \$233,502.87 | 847 | \$230,254.53 |
| Transactions Considered High Risk | 114 | \$79,319.06 | 104 | \$72,036.30 |
| Sample | 23 | \$20,857.27 | 23 | \$15,016.48 |

For the sample transactions, we obtained the purchase card statements and attached documentation from AMB and reviewed the documentation to determine whether the transaction was a misuse of the Government purchase card and whether Agency internal controls were followed.

We also reviewed the outputs of the data analytics tool to identify high risk transactions that were not selected in the sample, but may be indicative of misuse based on the nature of the transaction or the vendor. We obtained the purchase card statements and attached documentation for the identified transactions from AMB and reviewed the documentation to determine whether the transaction was a misuse of the Government purchase card and whether Agency internal controls were followed.

We conducted this performance audit in accordance with generally accepted government auditing standards during the period May 2017 through January 2018. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on

our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

TESTING OF TRANSACTIONS

OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, states that charge card managers are responsible for ensuring that purchase cards are only used for authorized purchases and expenses. To carry out these activities, charge card managers are required to identify specific risks associated with charge card programs and implement strict internal controls to mitigate these risks to the greatest extent possible. Additionally, charge card managers are required to review charge card statements to identify questionable or suspicious transactions.

The Agency has documented its controls over its purchase card program in its Government Purchase Card Policy and Procedures, dated September 2016, including:

- Prior to initiating a purchase card transaction using a Government purchase card, the purchase cardholder must obtain written pre-approval from their supervisor, approving official or higher authority;
- A determination whether funding is adequate, including use of the NLRB Form 13 at Headquarters;
- Approval by the Approving Official of the monthly statement; and
- Submission of the approved statements to the APC for review before the end of the next monthly billing cycle.

Sampled Transactions

First Quarter

There were 23 transactions in the sample of first quarter purchase card transactions. The purchase card statements and related documentation were not available for four transactions. All of the remaining 19 transactions in the

first quarter sample were for an apparent Government need. We did identify one transaction with no pre-approval of the purchase.

Second Quarter

There were 23 transactions in the sample of second quarter purchase card transactions. The purchase card statements and related documentation were not available for seven transactions. All of the remaining 16 transactions in the second quarter sample were for an apparent Government need. We did identify four transactions with no documentation that the purchase was pre-approved and the availability of funds was determined.

Individually Significant Transactions

We identified 28 transactions that we considered individually significant based on the nature of the transaction. The purchase card statements and related documentation were not available for 14 transactions. For the remaining 14 transactions, two transactions did not have documentation that there was an apparent Government need. One transaction was for a DVD, and there was no documentation of the purpose for the use of the DVD. For the other transaction, a meeting room was procured at a hotel, but there was no documentation for how the meeting room would be used.

Additionally, we found the following instances in which the Agency's internal controls were not followed:

- Four transactions were not pre-approved. For two transactions, there is no documentation that the transaction was approved. For the other two transactions, the order was placed before the approval was obtained.
- One transaction did not have the availability of funds determined before the purchase was made. The Budget Branch Chief, who was the funds certifying official, signed the NLRB Form 13 certifying that funds were available after the order was made.

- One transaction did not have documentation that the purchase card statement and supporting documentation were reviewed by the APC.
- The APC review for three transactions occurred more than two months after the statement date.

RECOMMENDATIONS

Because similar findings are addressed with recommendations in the Purchase Card audit (OIG-AMR-80), we are not making additional recommendations here.

APPENDIX



UNITED STATES NATIONAL LABOR RELATIONS BOARD
OFFICE OF THE CHIEF FINANCIAL OFFICER

August 7, 2018

TO: David P. Berry
Inspector General

FROM: Beth Tursell
Acting Chief Financial Officer

SUBJECT: Response to Report No. OIG-AMR-84-XX-XX Purchase Card Forensics

The National Labor Relations Board (NLRB) Office of the Chief Financial Officer (OCFO) has reviewed Report No. OIG-AMR-84-XX-XX Purchase Card Forensics and concurs with the report's findings and recommendations. The OCFO's responses to each of the areas of concern are provided below.

Sampled Transactions

In both the first and second quarter, purchase card statements and related documentation were not available for transactions pulled for testing. The NLRB concurs with the findings as stated. The Agency Program Coordinator (APC) for the Purchase Card Program is in process of revamping the Program with the transition and implementation of the GSA SmartPay 3 Program; which manages the Federal Government Charge Card Programs. SmartPay 3 will require card holders to utilize the bank tool to upload supporting documentation for all purchases. These purchases will be reviewed by the Approving Official and then a Program Coordinator to ensure documentation appropriately attached. All statements will be in an electronic format, easily accessed from inside the bank tool.

Pre-approval of transactions, assessing Government need and the availability of funds were not available for some of the transactions pulled for testing. The NLRB concurs with the findings as stated. The APC is creating a new form with the assistance of OCIO that will require all card holders regardless of duty station to complete and seek pre-purchase approval prior to purchases being made. This form will document the items (goods/services) to be purchased, require the card holder to confirm the need is for official Government use and direct benefit to the Agency, and that funds are in fact available for use for the purchase in question. Headquarters card holders will be required to sign, certifying the information in the document; have their Approving Official sign confirming the validity of the information and need; and then get the Budget Officer's signature certifying that funds are available for the purchase. Field card holders will be required to sign certifying the information in the document, and have their Approving Official sign confirming the validity of the information and need. The form will have budgetary language in it as the Budget Officer provides Operations Management with an amount available for use for Purchase Card spending, thus not requiring a certifying signature. The completed and fully approved pre-purchase form will be required as supporting documentation that must be uploaded into the bank tool.

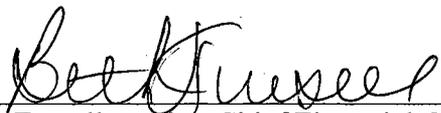
Individually Significant Transactions

One transaction included in the testing group was for meeting space at a hotel, where documentation detailing the purpose of the meeting space was not available. The NLRB concurs with the findings as stated. The APC is incorporating a descriptive field into the pre-purchase form requiring card holders to state the purpose of the meeting space being procured. To date card holders in need of meeting space state the purpose of the requirement in an email requesting permission from the APC to move forward with the purchase.

Two transactions included in the testing group did not possess approvals prior to the orders being placed and for two transactions there was no documentation that the transaction was approved. In addition, one transaction did not receive fund certification until after the order was already placed. Finally, one transaction did not have documentation that the purchase card statement and supporting documentation were reviewed by the APC. The NLRB concurs with the findings as stated. The Purchase Card Policy is being rewritten to include consequences for not properly following procedures with respect to approvals. Multiple infractions will result in the card holder's account being closed.

Three transactions included in the testing group the APC review occurred more than two months after the statement date. The NLRB concurs with the findings as stated. Moving into a fully electronic environment will allow for 100% compliance reviews to be conducted in a timely manner every month with the tools the bank and VISA are providing the agency with to effectively monitor the Program.

Once report no. OIG-AMR-84-XX-XX Purchase Card Forensics is finalized and officially issued to the NLRB, my office will develop a Corrective Action Plan to assist in tracking the Agency's progress in addressing the findings outlined within. Please contact me if you have any questions regarding this response.



Beth Tursell, Acting Chief Financial Officer