



July 1, 2020

TO: David S. Ferriero
Archivist of the United States

FROM: James Springs *James Springs*
Inspector General

SUBJECT: *Purchase Card Risk Assessment*
OIG Report No. 20-R-13

This memorandum transmits to the National Archives and Records Administration (NARA) the Office of the Inspector General's fiscal year 2019 assessment of the agency's purchase card program. The Government Charge Card Abuse Prevention Act of 2012 (the Act) requires executive agencies issuing and using purchase cards to "establish and maintain safeguards and internal controls" over their use. The Act further requires the Inspector General of each executive agency to conduct, at minimum, annual assessments of the agency's purchase card program and to perform analysis or audits, as necessary, of purchase card transactions. Inspectors General must report the results of such analysis or audits to the head of the agency.

NARA's purchase card risks remain at a moderate level. In general, NARA's policies and procedures are designed to provide reasonable assurance for implementing and managing the NARA Charge Card Program and to mitigate the potential for fraud, misuse, and delinquency. However, NARA has yet to address ten open recommendations from previous audits and new OMB Circular A-123 requirements. At a minimum, we plan to audit the agency's travel or purchase card programs or certain aspects of the programs on a recurring basis (every three years) to assess program efficiency and oversight.

A narrative of our risk assessment of NARA's Purchase Card Program is attached. We suggest NARA management use this risk assessment in their internal control reviews to ensure policies and procedures are effective and working as prescribed. We also suggest NARA ensures all outstanding recommendations are addressed.

Please call me or Jewel Butler, Assistant Inspector General for Audits, with any questions.

Attachment

cc: Micah Cheatham, Chief of Management and Administration
Colleen Murphy, Chief Financial Officer
Kimm Richards, Accountability

**National Archives and Records Administration
Office of Inspector General
Purchase Card Risk Assessment Narrative**

Background

Purchase cards, by their nature, are at risk for misuse, fraud, waste, and abuse. The Government Charge Card Abuse Prevention Act of 2012 (the Act) requires executive agencies issuing and using charge cards to “establish and maintain safeguards and internal controls” over their use. The Act further requires each Inspector General of executive agencies with more than \$10,000,000 in annual purchase and/or \$10,000,000 travel card spending to conduct periodic assessments, perform analyses or audits, and report the results of these activities. In fiscal year (FY) 2019 NARA spent less than \$10,000,000 in purchase and travel card spending, therefore the agency was not required to assess the purchase card and travel card program. However, we decided to assess NARA’s FY 2019 purchase card program due to unexplained differences in purchase card transactions in FY 2018 as noted in our FY 2018 Purchase Card Risk Assessment (OIG Report No. 19-R-06, dated March 21, 2019). We assessed NARA’s purchase card transactions to identify and analyze the risks of illegal, improper, or erroneous purchases and payments. We suggested NARA management use the risk assessment in the future, as they review their internal control to ensure policies and procedures are effective and working as prescribed.

Methodology

We reviewed the following:

- Appendix B to OMB Circular No. A-123, *A Risk Management Framework for Government Charge Card Program* (OMB Circular No. A-123);
- Government Charge Card Abuse Prevention Act of 2012;
- risks and controls already identified in NARA guidance;
- data files related to the number of cardholders, limits, amounts, and number of transactions;
- prior OIG audits and open recommendations;
- prior reports on charge cards;
- NARA’s response to Federal Managers’ Financial Integrity Act requirements; and
- issues identified in an independent public accountants’ work on financial statement audits.

We interviewed staff in Accounting Policy and Operations (XA) and Acquisitions (Z).

NARA Controls, Policies and Procedures

According to OMB Circular A-123, maintaining a charge card management plan is important because the establishment of written, formal policies and procedures is critical to assure internal controls are followed and to minimize the potential for fraud, misuse, and delinquency. The efficiency and integrity of the charge card program can be impaired if the agency does not consider and act upon the elements required in the plan. Agencies are required to update their charge card management plans within 12 months after agency/organization task order placement under a newly awarded GSA SmartPay master contract.

In May 2019 NARA deployed SmartPay 3 for Citibank purchase and travel cards under its agreement with Administrative Resource Center (ARC). Accordingly, NARA's Purchase Card Management Plan was updated in February 2020 and includes the following elements:

- identification of key management officials and their responsibilities for the charge card program;
- establishment of a process for formally appointing cardholders and approving officials (AO), where applicable, and implementation of a process to ensure new travel cardholders creditworthiness;
- management controls, policies, and practices to ensure appropriate charge card and oversight of payment delinquencies, fraud, misuse, or abuse;
- establishment of appropriate authorization controls;
- documentation and record retention requirements;
- recovery of charge cards and other documentation when employees terminate employment; and
- a description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to OMB Circular A-123, including evaluation of the effectiveness of training and the implementation of risk management controls.

Accounting Policy and Operations (XA) oversees NARA's purchase card programs and establishes guidelines. Specifically, XA staff is responsible for managing, establishing, and maintaining accounts; and issuing and canceling charge cards. According to NARA's Micro-Purchase Guide (Supplement to NARA 501, NARA Procurement) the NARA Citibank Liaison sets up accounts, serves as liaison between the cardholder and the charge card contractor, provides on-going advice, audits purchase card accounts as required, and keeps necessary account information current.

Transactions

NARA's purchase card issuer has been Citibank from November 2009 to present. As of September 30, 2019, NARA had 157 purchase cardholders. Purchase cardholders have a single purchase, micro-purchase threshold of \$3,500 for stand-alone procurements and a monthly purchase limit authorized by the Senior Procurement Executive (Chief Acquisitions Officer). In addition, every cardholder has a designated approving official who is required to approve purchases in advance.

Figure 1 – Total Purchase Cardholders, Transactions, and Total Card Purchases

	Number of Purchase Cardholders	Total Purchase Card Transaction Amount	Number of transactions
FY 2013	180	\$6,982,067	24,410
FY 2014	177	\$6,808,984	16,143
FY 2015	179	\$6,836,598	16,095
FY 2016	181	\$7,199,163	18,687
FY 2017	178	\$7,135,225*	13,899
FY 2018	167	\$6,261,473*	11,692
FY 2019	157	\$5,043,028	13,133

* The amounts depicted in the chart above are different from last year’s risk assessment based on incorrect FY 17 and FY 18 data provided by NARA.

The quality of data initially provided by NARA was questionable. It is management’s responsibility to provide quality data. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Quality data is used by management to make informed decisions and evaluate the entity’s performance in achieving key objectives and addressing risks.

During the OIG’s FY 2018 annual assessment, we reported FY 2017 and FY 2018 Total Purchase Card Transactions as \$8,187,839 and \$5,908,920, respectively, based on figures provided by NARA. NARA was unable to explain the \$2,278,919 difference between the FY 2018 and FY 2017 purchase card transaction totals. NARA attributes the difference to using purchase data verses payment data, but provided no evidence supporting to support this assessment. According to NARA, purchases are made in one month with the payments processing the following month. For example, purchases that are made in September will not be paid until October. In addition, according to NARA, payments are not equivalent to gross purchases since the payment would include credits and adjustments to the original purchase. The OIG found the spending decrease in FY 2018 and FY 2019 may have been due to the multiple continuing resolutions of government funding in FY 2018 and 2019, in addition to the 35 days shutdown in FY 2019. To date NARA has been unable to explain the variation in the data. NARA’s lack of quality data not only adversely impacts management’s ability to make informed decisions and evaluate the entity’s performance in achieving key objectives and addressing risks, it also impacts the OIG’s ability to identify illegal, improper, or erroneous purchases and payments.

We also noted significant variations in Transaction Categories line items (Fees, Miscellaneous, Payment and Purchase) on the CitiDirect CD100 report for FY 2017 and FY 2018. NARA requested CitiBank provide an explanation of Transaction Categories, but Citibank did not respond. In FY 2019, NARA started using SmartPay 3 purchase cards. Citibank’s SmartPay 3 purchase card data is in a separate database than SmartPay 2 data and does not have CD100 formatted reports. For FY 2019 there were no reports with Transaction Category line items.

We encourage NARA to be more diligent in ensuring the accuracy of data relating to its purchase card program.

Training

As a safeguard and internal control, the Act mandates that appropriate training be provided to each purchase cardholder and each official with responsibility for overseeing card use. OMB Circular A-123, as well as Treasury Financial Manual Part 4—4500, Government Purchase Cards (TFM, Part 4—4500), also require that cardholders and AO complete training before their appointments, take refresher training at least every three years, and maintain evidence of completed training.

NARA’s Purchase Card Management Plans requires cardholders and AO to take initial and refresher training before assuming their charge card duties. The courses provide cardholders and AO instructions on how to secure and use the charge card and how to avoid fraudulent use. The course also includes standards of conduct and ethics for the use of the card and the consequences for misuse of the card. We found all cardholders were up to date on the training. However, two of 19 alternate AO were not up to date on their Government Purchase Cards training, but had previous training.

Prior Audits

NARA closed one open recommendations and has 12 open recommendations from OIG audit reports related to purchase charge cards (see Figure 2). At least one of these open recommendations are at least six years old.

Figure 2 - Recommendations as of September 30, 2019

Audit Report	Issued	Recommendation Text	Status
Audit of NARA's Purchase Card Program (08-02)	11/14/2007	Rec 13 - The Assistant Archivist of Administration should direct the Director of NAA (Acquisitions Staff) to establish written policies and procedures to evaluate the effectiveness of cardholder reconciliations and approving officials certifying duties.	Closed
Audit of NARA's CPIC Process (14-08)	4/17/2014	Rec 6 - The Chief Operating Officer should ensure the training guide for purchase cardholders is updated to include a discussion of the requirements of NARA's Capital Planning and Investment Control Process.	Open

Audit of NARA's FY 2018 Consolidated Financial Statements (19-AUD-01)	2/4/2019	Management Letter Rec 1 – We recommend that management update the travel policy to ensure that all written policies and procedures are reviewed and revised timely.	Open
Audit of NARA's Purchase Card Program (19-AUD-07)	3/29/2019	Rec 1a - The Chief Financial Officer should strengthen internal and management controls over purchase cards by enhancing instructions to approving officials to look for sales tax paid by a cardholder, recurring purchases, and split purchases.	Open
		Rec 1b - The Chief Financial Officer should strengthen internal and management controls over purchase cards by enhancing the monitoring of the approving officials timely verification of purchase card transactions.	Open
		Rec 1c - The Chief Financial Officer should strengthen internal and management controls over purchase cards by documenting the monitoring of purchase card transaction to ensure cardholders' recover sales tax paid and/or make a good-faith attempt to recover sales tax paid.	Open
		Rec 1d - The Chief Financial Officer should strengthen internal and management controls over purchase cards by documenting the monitoring of purchase card transactions to ensure split purchases are not occurring.	Open
		Rec 1e - The Chief Financial Officer should strengthen internal and management controls over purchase cards by monitoring purchase card transactions to ensure separation of duties from authorizing the purchases and making purchases.	Open
		Rec 2 - The Chief Financial Officer should ensure Accounting Policy and Operations and Acquisitions purchase card policies are updated to reflect current practices.	Open
		Rec 3 - The Chief Financial Officer should ensure Accounting Policy and Operations and Acquisitions update the controls and the methods used to monitor controls associated with the purchase card program.	Open
		Rec 4 - The Chief Acquisition Officer should enforce the current policy of rescinding cardholder and approving official privileges if they fail to complete refresher training.	Open

		Rec 5 - The Chief Acquisition Officer should improve the alternate control by informing cardholders and approving officials months prior to the refresher training due date.	Open
Audit of NARA's FY 2019 Consolidated Financial Statements (20-AUD-09)	4/22/2020	Management Letter Rec 1 – We recommend the Chief Financial Officer update the travel policy to ensure that all written policies and procedures are reviewed and revised timely.	Open

Other Matter(s)

We noted three controls from the revised OMB Circular A-123 that are not addressed in NARA's current Purchase Card Management Plan. OMB Circular A-123 requires:

- Annually, agencies must develop a risk profile coordinated with their annual strategic reviews. As part of an agencies' Enterprise Risk Management process, risk management controls, policies, and practices consistent with the requirements of Chapter 2 should be implemented. However NARA has not implemented an Enterprise Risk Management Plan. OIG Audit No. 17-AUD-01 recommends the Chief Operating Officer\Chief Risk Officer fully implement all components of NARA 160, NARA's Enterprise Governance, Risk, and Compliance Program, including developing, documenting, and fully implementing NARA 162, NARA's Enterprise Risk Management Program.
- The Agency/Organization Program Coordinator (A/OPC) assigned to the office reviews and completes each charge card application accurately; and the A/OPCs are the only individuals authorized to process charge card applications. However, NARA's A/OPC is not involved in the charge card application process. NARA indicated this would be corrected in the next version of the Purchase Card Management Plan.
- Each individual agency is responsible for verifying the accuracy of their own refunds based on prompt payment, sales volume, or other actions by the agency as well as addressing any variances. However, NARA and the Administrative Resource Center (NARA's Shared Service Provider) does not verify the accuracy of the refunds. NARA relies on Citibank to properly calculate the accuracy of the refund.

We encourage NARA to include the requirements noted above in its Purchase Card Management Plan.

Conclusion

In spite of the quality of data, and based on 1) the number of purchase cardholders, 2) amounts spent in FY 2019 using purchase cards, and 3) internal controls observed, we assess the risk over purchase cards as moderate. NARA's policies and procedures are designed to provide reasonable assurance for implementing and managing NARA's Purchase Card Programs and to mitigate the potential for fraud, misuse, and delinquency except for the related open audit recommendations noted and the quality of data over certain transactions.

The OIG completed an audit of the agency's Purchase Card Program in March 2019 (OIG Report No. 19-AUD-07, dated March 29, 2019). We are currently conducting an audit of NARA Travel card program.