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FROM: James Springs *James Springs*  
Inspector General

TO: David S. Ferriero  
Archivist of the United States (N)

SUBJECT: Purchase Card Risk Assessment (Report No. 18-R-05)

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 a few open recommendations from previous audits (Reports No. 08-02 and 11-14). We have initiated an audit of the agency’s Purchase Card Program. We also plan to audit Purchase and Travel Card Programs or certain aspects of the programs on a recurring basis (every three years) to assess program efficacy 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.

If there are any questions regarding these risk assessments, please contact me at (301) 837-3000 or [james.springs@nara.gov](mailto:james.springs@nara.gov).

**National Archives and Records Administration  
Office of Inspector General  
Narrative Risk Assessment on Charge Cards  
18-R-05**

**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 the Inspector General (OIG) 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. OIGs must report the results of such analysis or audits to the head of the executive agency and report to the Director of the Office of Management and Budget (OMB) on the agency’s progress in implementing corrective actions. Periodic risk assessment (at least annually) of agency purchase cards programs (including convenience checks), combined integrated card programs are required to be performed by OIGs. Assessments of the agency’s travel card program is only required for agencies spending more than \$10 million in travel a year. NARA spent \$1.3 million on travel in FY 2017, therefore we did not assess the travel card program. We developed a risk assessment to assess and analyze the risks of illegal, improper, or erroneous purchase and have provided NARA with the results. We suggest NARA management use these risk assessments in the future as they review their internal controls to ensure policies and procedures are effective and working as prescribed.

**Methodology:**

We reviewed OMB Circular A-123, Appendix B; the Act; and OMB guidance on the Act. We reviewed risks and controls already identified in NARA, prior Office of Inspector General audits and reviews, NARA’s response to Federal Managers’ Financial Integrity Act requirements, and those identified in an independent public accountant’s work on financial statement audits.

We spoke with and/or received input from staff in Accounting Policy and Operations (XA), Office of the Chief Acquisition Officer (Z), and Performance and Accountability (CA); reviewed prior reports on charge cards; identified open recommendations; and requested and reviewed the number of card holders, limits, amounts, and number of transactions.

**NARA Controls, Policies and Procedures**

According to OMB Circular A-123, maintaining a charge card management plan is important because establishing written, formal policies and procedures is needed to assure internal controls are followed and the potential for fraud, misuse, and delinquency is minimized. 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 submit charge card management plans at least annually, but not later than January 31 of each calendar year.

NARA’s Purchase Card Management Plans include 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 (AOs), where applicable, and implementation of a process to ensure new travel card holders 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 program 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.

NARA’s purchase card issuer has been Citibank from November 2009 to present. As of September 30, 2017, NARA had 178 Purchase card holders at its headquarters and regional offices. Purchase card holders 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 (Director of Acquisitions). In addition, every card holder has a designated AO who is required to approve purchases in advance.

	<b>Number of Purchase Cardholders</b>	<b>Total Purchase Card Transaction Amount</b>	<b>Number of transactions</b>
<b>FY 2013</b>	180	\$6,982,067	24,410
<b>FY 2014</b>	177	\$6,808,984	16,143
<b>FY 2015</b>	179	\$6,836,598	16,095
<b>FY 2016</b>	181	\$7,199,163	18,687
<b>FY 2017</b>	178	\$5,908,920	13,899

As a safeguard and internal control, the Act mandates that appropriate “training is provided to each purchase card holder and each official with responsibility for overseeing the use of purchase cards issued by the executive agency.” OMB Circular A-123, as well as Treasury Financial Manual Part 4—4500, Government Purchase Cards (TFM, Part 4—4500), also require that card

holders and AOs 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 AOs to take initial and refresher training before assuming their charge card duties. The courses provide card holders and AOs 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.

### **Prior Audits**

For OIG Audit Report #08-02, Audit of NARA's Purchase Card Program, dated November 14, 2007, 19 of 20 recommendations have been implemented. Recommendation #13 remains open:

**Recommendation #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.

For OIG Audit Report #11-14, Audit of Foreign and Premium Travel, dated July 7, 2011, five of six recommendations have been implemented. Parts of recommendations 2 remain open:

**Recommendation #2a.** The Executive for Business Support Services should develop and implement a mandatory specialized training course for travelers and authorizing officials reiterating their roles and responsibilities. Refresher courses should be provided on a periodic basis. Until a training course is developed and implemented, require the applicable travelers and authorizing official to review the FTR and agency policies and procedures related to their responsibilities in traveling, reviewing travel vouchers, and approving travel expenditures.

**Recommendation #2d.** The Executive for Business Support Services should develop and implement procedures to follow-up on travel vouchers not submitted within five working days. Take appropriate action for people who do not comply within five working days.

### **Conclusion:**

Based on 1) the number of purchase cardholders, 2) amounts spent in FY 2017 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 Program and to mitigate the potential for fraud, misuse, and delinquency except for the related open audit recommendations noted.

We are currently conducting an audit of the agency's Purchase Card Program. We also plan to audit certain aspects of the Purchase or Travel Card programs on a recurring basis (every three years) to assess program efficacy and oversight.