



Office of Inspector General

Charge Card Program

AUDIT OF THE FEDERAL LABOR RELATIONS AUTHORITY FY 2019 CHARGE CARD PROGRAM AND RISK ASSESSMENT

Fiscal Year 2019
Report No. AR-20-05

Federal Labor Relations Authority
1400 K Street, N.W. Suite 250, Washington, D.C. 20424

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*The Federal Labor Relations Authority
Office of Inspector General*

January 28, 2020

Colleen Duffy Kiko
Chairman

Dembo Jones, P.C. (Dembo Jones), on behalf of the Federal Labor Relations Authority (FLRA), Office of Inspector General (OIG), conducted an independent audit to determine whether internal controls are in place to ensure compliance with laws and regulations and the effectiveness of internal controls over the Government charge and travel card programs of the FLRA. We assessed the effectiveness of controls for issuing cards and ensuring proper use. We also performed a risk assessment of the FLRA charge card program for Fiscal Year (FY) 2019. This report was prepared in conjunction with the Inspector General (IG) and Dembo Jones.

Results in Brief

During our FY 2019 purchase card and travel card audit, we conducted an entrance conference to discuss the current year charge card program audit and assess oversight and controls for the program. In addition, we received and reviewed FLRA's policies and procedures related to the travel and purchase cards systems that were in effect during FY 2019. Office of Management and Budget (OMB) Circular No. A-123, Appendix B Revised and Federal Travel Regulation 2018-01 amendment were reviewed for the statutory requirements and executive branch policies for travel and purchases at Government expense. We then assessed risk to be low for the programs. We then performed testing of transactions as described in this report.

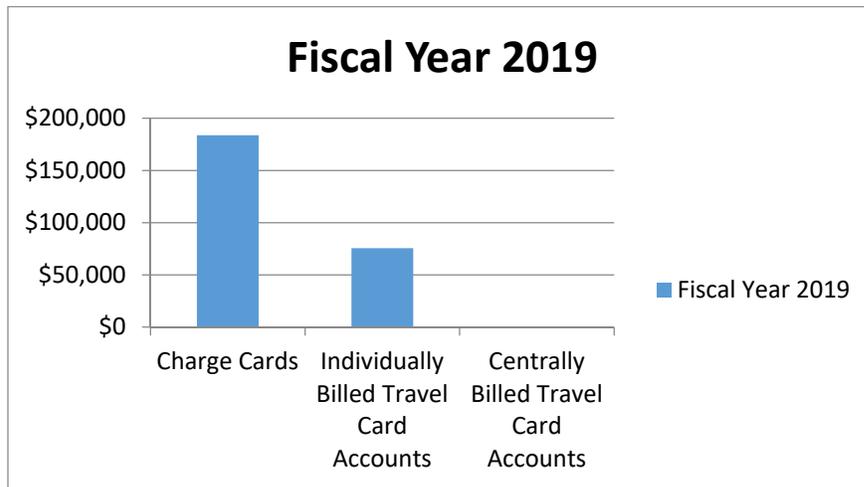
We followed up on the two open recommendations from the FY 2018 review. "Untimely Submission of Travel Vouchers" recommendation remains open and "Noncompliance with Reimbursement (Travel Voucher Claims) Unsigned Submission of Travel Vouchers" is closed. We identified several findings and made five recommendations during our FY 2019 review of the policies and procedures and testing of the charge card program and travel card program.

In a written management response, FLRA agreed with our recommendations. Based on the results our audit, we determined that an audit is warranted in 2021, to include a follow-up on our prior report recommendations.

Background

The FLRA conducts business using the Government charge cards each FY. As shown in Figure 1, in FY 2019, FLRA had about \$260,000 in charge and travel card transactions.

Figure 1: FLRA Charge Card Expenditures for FY 2019



Within FLRA the Administrative Services Division (ASD) manages the Authority's Government purchase card program. This office is also responsible for ensuring that FLRA's purchase card program complies with Government Charge Card Abuse Prevention Act of 2012¹ (Charge Card Act) and applicable OMB requirements. Those requirements include OMB Circular No. A-123, Appendix B (Revised January 15, 2009), *Improving the Management of Government Charge Card Programs*; and OMB M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*.

The Charge Card Act requires the OIG's to conduct periodic (at least annually) risk assessments of agency purchase cards (including convenience checks), combined integrated card programs and travel card programs to analyze the risks of illegal, improper, or erroneous purchases.

The Charge Card Act requires all executive branch agencies² to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards,³ and centrally billed accounts consistent with existing OMB guidance.

¹ See Public Law 112-194.

² The definition of "executive agency" for purposes of the Charge Card Act is found at 41 U.S.C. 133.

³ The integrated card is a combination of two or more business lines on a single card (e.g. purchase and travel).

In our FY 2019 Risk Assessment, we determined the FLRA to be at a low level risk based on a review of policies and procedures for FLRA's charge card program.⁴

Audit Results

We completed testing for the charge card and travel card programs and determined internal controls put in place for charge card program continue to operate effectively; however, we identified several findings and have made recommendations to continue to improve the safeguards and internal controls in order to reduce the risks of illegal, improper, or erroneous purchases. Our findings, exceptions, and recommendations are stated below.

Follow-Up on Prior Year Audit Findings

In 2019, we issued an audit report on FLRA's purchase card program. In that report, *Audit of the Federal Labor Relations Authority's Fiscal Year 2018 Charge Card Program and Risk Assessment* (March 26, 2019) (AR-19-05), we noted two issues:

1. Untimely Submission of Travel Vouchers

- Of the 42 travel vouchers reviewed during the financial statement audit and charge card testing, there were two instances where the travel orders were not authorized prior to travel. Federal Travel Regulation (FTR) state that generally you must have written or electronic authorization prior to incurring any travel expense.
- Of the 42 travel vouchers reviewed during the financial statement audit and charge card testing, there were 11 instances where the traveler did not submit their voucher to the approving official within the required number of business days upon completion of the trip. FTR state that travel vouchers should be submitted to the appropriate approving official within 5 business days after travel.

Prior Year Recommendation:

1. We recommend the Executive Director remind employees to obtain travel authorizations and submit travel vouchers in a timely manner in accordance with FTR's and FLRA's policy instruction.

⁴ AR-19-05, Follow-up Audit of the FLRA Charge Card Program and Risk Assessment for FY 2018

Current Status:

During our performance of audit tests related to travel vouchers we noted the following:

- Of the 37 travel vouchers reviewed during the financial statement audit and charge card testing, there were 7 instances where the traveler did not submit their voucher to the approving official within the required number of business days upon completion of the trip (6 during financial statement audit and 1 during charge card audit). FTR state that travel vouchers should be submitted to the appropriate approving official within 5 business days after travel.
- Of the 37 travel vouchers reviewed during the financial statement audit and charge card testing, there were 2 instances where the travel voucher was not signed and submitted, by approving official to the Department of Treasury's, Bureau of Fiscal Services, Administrative Resource Center (ARC), within 10 business days of receiving it from the traveler (1 during financial statement audit and 1 during charge card audit). FLRA's policy is to submit the travel vouchers to ARC within 10 business days of receiving it from the traveler.

Our recommendation remains open

2. Noncompliance with Reimbursement (Travel Voucher Claims) Unsigned Submission of Travel Vouchers

During our prior year performance of audit tests related to travel vouchers we noted the following issue:

- Of the 42 travel vouchers reviewed during the financial statement audit and charge card testing, there was one instance where the travel voucher was not signed by the traveler. This is a violation of the FLRA's Policy Instruction No. 1501.3 that states, "a travel voucher is considered "complete" when it includes all appropriate signatures and all required receipts."

Prior Year Recommendation:

We recommend the Executive Director remind employees to sign their travel vouchers and remind approving officials of the requirements stated by FLRA's Policy Instruction No. 1501.3 for travel vouchers to be considered complete.

Current Status:

During our performance of audit tests related to travel vouchers there were no instances where the travel voucher was not signed by the traveler.

Our recommendation is closed

New Findings

Initiate Review of Policies and Procedures on an Annual Basis

While we found FLRA has internal controls and safeguards covering purchase and travel cards, during our review of FLRA's policies and procedures we noted the following:

- FLRA's policies and procedures documentation for purchase cards and travel cards have not been updated in over a year.
- Additional internal controls and safeguards have been established for purchase and travel cards to improve the management of charge cards, but have not been properly reflected in the policies and procedures.

Recommendation:

2. OMB Circular A-123, Appendix B states charge card management plan "should be updated annually, or more frequently, if necessary to remain current." We recommend that the ASD Director document that the policies and procedures have been reviewed and updated every year to ensure they remain current and properly reflect the internal controls and safeguards in place.

Strengthen Controls to Resolve Delinquencies

During our review of FLRA's policies and procedures and testing we noted the following:

- FLRA's policies and procedures state cardholders are responsible for the timely payments to the charge card vendor.
- FLRA has hired a third party, ARC, to monitor delinquency. FLRA does complete oversight on ARC and communicate to cardholders when ARC informs the ASD of delinquencies. However, they have heavy reliance on ARC to manage and inform them of late payments.

- There were 4 charge card payments 60-days past due and 11 charge card payments 30-days past due.

Recommendation:

3. The policies and procedures in place do not indicate a lack of compliance; however, we recommend the ASD Director further develop its controls to improve the effectiveness of management's controls for the oversight of payment delinquencies to ensure that delinquent accounts are resolved.

Strengthen Controls over Charge Card Closing

During our performance of audit tests related to charge card closing we noted the following:

- 14 cardholders, that departed the Authority during FY 2019, were still listed as charge card holders by ARC and Citibank, even though their cards were physically destroyed by the ASD.
- 1 exit clearance checklist did not receive a signature for the travel card and credit card to confirm the cards were received and terminated.

Recommendation:

4. Procedures for recovering charge cards and other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization, are adequate but can be improved. We recommend enforcing the instructions stating failure to complete this form by clearing each item and returning to Human Resources Division may result in in the last pay check being withheld. In addition, we recommend informing ARC the date the card was physically destroyed and document the date the account closure was confirmed to be closed by Citibank.

Noncompliance with Mandatory Use of the Travel Card

During our performance of audit tests related to travel vouchers we noted the following:

- Of the 37 travel vouchers reviewed during the financial statement audit and charge card testing, 1 travel card holder did not use their government-issued travel card to pay for lodging expenses. As indicated on FLRA's Policy Instruction No. 1501.3, government-sponsored, contractor-issued travel charge card is required to be used for official government travel, unless otherwise exempt. There was no documentation that an exemption applied.

Recommendation:

5. We recommend the ASD Director reinforce the government travel card policies and procedures through periodic reminders to ensure employees use their government-issued travel cards for all official travel expenses.

Purchases with State and Local Taxes

During our performance of audit tests related to purchase cardholders we noted the following:

- Of the 5 CitiDirect monthly statements reviewed during the charge card testing, 1 purchase cardholder paid state taxes for their purchase. Generally, purchases made by the Federal Government are exempt from state and local taxes.

Recommendation:

6. We recommend the ASD Director reinforce the government purchase card policies and procedures through periodic reminders to ensure employees avoid paying taxes by contacting the CitiDirect.

Management Response:

Management agrees with the findings, exceptions and recommendations. Dembo Jones and the IG have reviewed management's response and find it acceptable.

Based on these finding and exceptions we recommend to conduct a follow-up audit of FY 2020 to determine if our recommendations for travel card programs have been implemented and to determine if charge card operating policies and procedures continue to operate effectively.

Dembo Jones, P.C.



North Bethesda, Maryland
January 28, 2020

Appendix 1

Objectives, Scope, and Methodology

The audit covered charge and travel card transactions for FY 2019. FLRA had 5 charge cards and 97 active travel cards during the beginning of our audit work. Audit fieldwork took place in December 2019 and January 2020.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards. 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.

To accomplish our audit objectives, we obtained an understanding of the FLRA purchase and travel card programs to include the design, implementation, and operating effectiveness of internal controls, compliance with FLRA governing policies and procedures, and compliance with applicable laws, regulations, and provisions. We conducted interviews with key FLRA personnel, and inspected relevant supporting documentation. Based on our initial risk assessment, we designed the audit procedures to assess the internal controls' operating effectiveness, to review specific attributes of the programs, and to determine compliance with the identified laws, regulations, and provisions governing the program. After completion of our testing, the results were analyzed, summarized and discussed with the key personnel involved in overseeing the programs.

Our procedures included reviewing the purchase card and travel card policies and procedures, conducting interview to understand the internal controls, processes, systems, and procedures used to manage the agency's charge card program, checking for the cardholder signature and approvals by appropriate officials, examining receipts, reviewing obligation documents and travel authorizations, checking for compliance with FLRA policies such as timeliness of submission of expense reports and payment, limits on amounts spent and examining travel requests to be sure they were in accordance with Federal Travel Regulations, examining charge card closing process, and examining delinquency process.

During our FY 2019 financial statement audit, we had tested 32 of the active travel card holders' transactions. No significant issues were found during our testing of charge and travel cards during the FY 2019 financial statement audit, other than untimely submission of travel reports in 6 cases. However, we expanded our testing as discussed below for this audit.

We obtained lists of all card holders for the charge card and travel programs. For the charge cards, we selected all 5 card holders and their Approving Official for transaction testing and requested their training certificates. For the travel cards, we requested 20 active travel card holders that had not been tested in the FY 2018 charge card audit, for their training certificates and 5 active travel card Approving Officials for their training certificates.

In addition to the 32 travel card holders' transactions tested during the financial statement audit, another 5 travel card holders were selected for additional travel card transaction testing.

Appendix 2

Management Response



UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY

January 28, 2020

MEMORANDUM

TO: Dana Rooney
Inspector General

FROM: Michael Jeffries
Executive Director

A handwritten signature in black ink, appearing to read "M. Jeffries", is placed over the printed name of the Executive Director.

SUBJECT: Management Response to the Draft Report AR-20-05 - Audit of Federal Labor Relations Authority's Charge Card Program and Risk Assessment

The purpose of this memorandum is to provide management response regarding the audit recommendations pertaining to the Federal Labor Relations Authority's (FLRA) Charge Card Program and Risk Assessment. The recommendations are addressed separately below. I personally reviewed the audit findings and recommendations, and the Office of the Executive Director looks forward to collaborating with your office as we work to ameliorate our program to address the findings in this audit.

Prior Year Recommendation:

Recommendation 1.

We recommend the Executive Director remind employees to obtain travel authorizations and submit travel vouchers in a timely manner in accordance with FTR's and FLRA's policy instruction.

Management Response: The Executive Director concurs with the recommendation and will work with managers and employees to address. Over the past year, FLRA sent Agency wide reminders as well as addressed individual offices, where appropriate. However, as the issue still persists, ASD will further enhance their processes to include a more rigorous notification process where office leadership and the Agency Executive Director will be informed when a voucher is within 2 days of being delinquent.

New Findings

Recommendation 2.

OMB Circular A-123, Appendix B states charge card management plan “should be updated annually, or more frequently, if necessary to remain current.” We recommend that the ASD Director document that the policies and procedures have been reviewed and updated every year to ensure they remain current and properly reflect the internal controls and safeguards in place

Management Response: The Executive Director concurs with the recommendation and will work with managers and employees to ensure charge card policies and procedures are reviewed and updated annually.

Recommendation 3.

The policies and procedures in place do not indicate a lack of compliance; however, we recommend the ASD Director further develop its controls to improve the effectiveness of management’s controls for the oversight of payment delinquencies to ensure that delinquent accounts are resolved.

Management Response: The Executive Director concurs with the recommendation and will work with managers and employees to address.

Recommendation 4.

Procedures for recovering charge cards and other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization, are adequate but can be improved. We recommend enforcing the instructions stating failure to complete this form by clearing each item and returning to Human Resources Division may result in the last pay check being withheld. In addition, we recommend informing ARC the date the card was physically destroyed and document the date the account closure was confirmed to be closed by Citibank

Management Response: The Executive Director concurs with the recommendation and will work with managers and employees to address.

Recommendation 5.

We recommend the ASD Director reinforce the government travel card policies and procedures through periodic reminders to ensure employees use their government-issued travel cards for all official travel expenses.

Management Response: The Executive Director concurs with the recommendation and will work with managers and employees to address.

Recommendation 6.

We recommend the ASD Director reinforce the government purchase card policies and procedures through periodic reminders to ensure employees avoid paying taxes by contacting the CitiDirect.

Management Response: The Executive Director concurs with the recommendation and will work with managers and employees to address.

Appendix 3

Report Distribution

Federal Labor Relations Authority

Ernest DuBester, Member

James Abbott, Member

Michael Jeffries, Executive Director

Xavier Storr, Director, Administrative Services Division

Appendix 4

Acronyms and Abbreviations

ARC	Administrative Resource Center
ASD	Administrative Services Division
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
Dembo Jones	Dembo Jones, P.C.
FLRA	Federal Labor Relations Authority
FTR	Federal Travel Regulation
FY	Fiscal Year
IG	Inspector General
OIG	Office of Inspector General
OMB	Office of Management and Budget

CONTACTING THE OFFICE OF INSPECTOR GENERAL

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EMAIL: OIGMAIL@FLRA.GOV
CALL: (202)218-7970 FAX: (202)343-1072
WRITE TO: 1400 K Street, N.W. Suite 250, Washington,
D.C. 20424

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