



Office of Inspector General

Charge Card Program

AUDIT OF THE FEDERAL LABOR RELATIONS AUTHORITY FY 2020 CHARGE CARD PROGRAM AND RISK ASSESSMENT

Fiscal Year 2020
Report No. AR-21-04

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

CONTENTS

Audit Report

Results in Brief	1
Background	2
Audit Results.....	3-7

Appendixes

Appendix 1: Objectives, Scope and Methodology	8-9
Appendix 2: Report Distribution	10
Appendix 3: Acronyms and Abbreviations	11

January 15, 2021

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) 2020. This report was prepared in conjunction with the Inspector General (IG) and Dembo Jones.

Results in Brief

During our FY 2020 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 2020. 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.

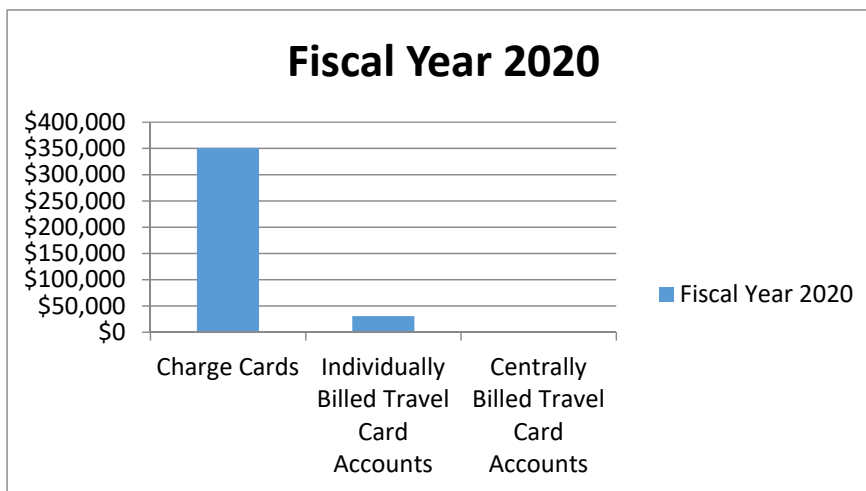
In January 2020, we completed an "*Audit of the FLRA's Charge Card Program and Risk Assessment* (Report No. AR-20-05)" for FY 2019. We followed up on the six open recommendations from the FY 2019 audit: *Untimely Submission of Travel Vouchers*, *Initiate Review of Policies and Procedures on an Annual Basis*, *Strengthen Controls to Resolve Delinquencies*, *Strengthen Controls over Charge Card Closing*, *Noncompliance with Mandatory Use of the Travel Card*, and *Purchases with State and Local Taxes*. Those prior year recommendations are closed.

We identified no new findings during our FY 2020 review of the policies and procedures and testing of the charge card program and travel card program.

Background

The FLRA conducts business using the Government charge cards each FY. As shown in Figure 1, in FY 2020, FLRA had about \$380,000 in charge and travel card transactions.

Figure 1: FLRA Charge Card Expenditures for FY 2020



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 August 27, 2019), *Improving the Management of Government Charge Card Programs*.

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 2020 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, discussions with ASD personnel and a review of the prior year report.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 in the prior year and made recommendations to continue to improve the safeguards and internal controls in order to reduce the risks of illegal, improper, or erroneous purchases. The current year status of our prior year findings and recommendations are stated below.

Follow-Up on Prior Year Audit Findings

In 2020, we issued an audit report on FLRA's purchase card program. In that report, *Audit of the Federal Labor Relations Authority's Charge Card Program and Risk Assessment* (January 28, 2020) (AR-20-05), we noted six issues:

1. Untimely Submission of Travel Vouchers

- 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.

⁴ AR-20-05, Audit of the Federal Labor Relations Authority's Charge Card Program and Risk Assessment

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.

Current Status:

Dembo Jones found no reportable untimely submission and approval of travel vouchers in the current year testing.

Our recommendation is closed.

2. 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.

Prior Year 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.

Current Status:

FLRA reviewed the procedures and determined that the procedures are still relevant. Dembo Jones finds the review to be adequate.

Our recommendation is closed

3. 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.

Prior Year 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.

Current Status:

FLRA has made it a point to inform its charge card users on the importance of timeliness payments. Dembo Jones found no reportable delinquencies this year.

Our recommendation is closed

4. 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.

Prior Year 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.

Current Status:

FLRA has made it a point to inform ARC of any charge card holders that have departed the Authority, so ARC can close the cards through CitiBank.

Our recommendation is closed.

5. 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.

Prior Year 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.

Current Status:

Dembo Jones found no reportable noncompliance with use of travel card in the current year testing.

Our recommendation is closed

6. 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.

Prior Year 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.

Current Status:

Dembo Jones found no reportable instances for purchases with state and local taxes.

Our recommendation is closed

Dembo Jones, P.C.

A handwritten signature in black ink that reads "Dembo Jones, P.C." in a cursive style.

North Bethesda, Maryland
January 15, 2021

Appendix 1

Objectives, Scope, and Methodology

The audit covered charge and travel card transactions for FY 2020. FLRA had 8 charge cards and 70 active travel cards during the beginning of our audit work. Audit fieldwork took place in December 2020 and January 2021.

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 2020 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 2020 financial statement audit. 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 8 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 2019 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.

We obtained list of employee separations that occurred throughout FY 2020. For charge card closing test, we selected all employees that separated in FY 2020 and employees that were tested in FY 2019 and were still listed as charge card holders by ARC and Citibank. We requested the GSA SmartPay list of card holders as of September 30, 2020.

We requested the GSA SmartPay Delinquency Report for FY 2020 and reviewed charge cards over 30 days past due.

Appendix 2

Report Distribution

Federal Labor Relations Authority

Ernest DuBester, Member

James Abbott, Member

Michael Jeffries, Executive Director

Xavier Storr, Director, Administrative Services Division

Appendix 3

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

IF YOU BELIEVE AN ACTIVITY IS WASTEFUL,
FRAUDULENT, OR ABUSIVE OF FEDERAL FUNDS,
CONTACT THE:

HOTLINE (800)331-3572
[HTTP://WWW.FLRA.GOV/OIG-HOTLINE](http://www.flra.gov/oig-hotline)

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

The complainant may remain confidential; allow their name to be used; or anonymous. If the complainant chooses to remain anonymous, FLRA OIG cannot obtain additional information on the allegation, and also cannot inform the complainant as to what action FLRA OIG has taken on the complaint. Confidential status allows further communication between FLRA OIG and the complainant after the original complaint is received. The identity of complainants is protected under the provisions of the Whistleblower Protection Act of 1989 and the Inspector General Act of 1978. To learn more about the FLRA OIG, visit our Website at <http://www.flra.gov/oig>



Office of Inspector General

Charge Card Program