



Office of Inspector General

Charge Card Program

AUDIT OF THE FEDERAL LABOR RELATIONS AUTHORITY FY 2013 CHARGE CARD PROGRAM

Report No. AR-14-03

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



OFFICE OF INSPECTOR GENERAL
Federal Labor Relations Authority

Table of Contents

Objective_____	1
Background_____	1
Summary of Results_____	1
Audit Results_____	2
Lack of Policy and Procedures for Purchase Cards_____	2
Noncompliance with Training Policies and Procedures_____	3
Untimely Payments_____	3
Untimely Submission of Travel Vouchers_____	4
Outdated Travel Card Policies and Procedures_____	4
Lack of Credit Worthiness Assessment New Travel Cardholders_____	4

Appendix A: Management Comments to the Draft Report

Audit of Controls over Government Purchase and Travel Card Programs

Objective

Our overall objective for this audit was to evaluate the effectiveness of internal controls over the Government purchase and travel card programs of the Federal Labor Relations Authority (FLRA). We assessed the effectiveness of controls for issuing cards and ensuring proper use.

Background

On October 5, 2012, The President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, which reinforced Administration efforts to prevent waste, fraud, and abuse of Government-wide charge card programs. On September 6, 2013, Office of Management and Budget (OMB) issued Memorandum M-13-21 with implementation guidance for the Charge Card Act.

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

- OMB Circular A-123, Appendix B (Improving the Management of Government Charge Card Programs); and
- OMB Memorandum M-12-12 (Promoting Efficient Spending to Support Agency Operations).

Inspectors General are to conduct periodic risk assessments (at least annually) 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 and travel card program to analyze the risks of illegal, improper, or erroneous purchases.

Summary of Results

We found that FLRA needs to strengthen internal controls over the travel and purchase card programs. We found that policies and procedures are applied inconsistently. FLRA policies and procedures should be updated and more thoroughly documented.

AUDIT RESULTS

Finding No. 1 - Lack of Policy and Procedures for Purchase Cards

The FLRA does not have complete, written internal policies and procedures regarding the operation of the purchase card program. OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Program *requires* such policies and procedures for the appropriate use of charge cards. While the FLRA follows the guidelines set forth by the GSA SmartPay program, it is important to establish formal written policies specifically for the FLRA to ensure that a system of internal controls is implemented and followed in order to minimize potential fraud, misuse, and delinquency, and ensure consistent application of policies and procedures among employees.

Due to a lack of an official written policy the following issues were noted:

- During our audit of Fiscal Year (FY) 2013, we reviewed 13 purchase card reconciliations with charges during December 2012 and September 2013. Of the 13 purchase card reconciliations, 6 did not have adequate documentation to determine if the purchases were approved prior to making the purchase. Three of these exceptions occurred in December and three occurred in September. In accordance with OMB Circular A-123, Appendix B, Section 4.8, approval must be obtained prior to making a self-generated purchase. We understand that a purchase requisition must be submitted to the Budget and Finance Division (BFD) for certification of funding prior to any purchase, including those by credit card. FLRA policy regarding submission of a purchase request was included in BFD standard operating procedures posted on the agency intranet in early 2013. However, we still detected the lack of pre-approval documentation in the September 2013 sample.
- Of the ten purchase cards selected for testing in September of 2013, seven had transactions and of those seven, two did not have complete documentation (receipts for the purchases).
- There is no formal policy for designating an approving official for the purchase card program. Without a formal approving official overseeing each cardholder, internal controls are weakened. Without an approving official, FLRA is susceptible to purchase card misuse, fraud, and delinquency. In accordance with OMB Circular A-123, Appendix B, Section 2.3, a charge card plan must identify key management officials including approving officials.

Recommendations:

We recommend the Executive Director:

- 1.1 Develop written policies and procedures for the appropriate use of purchase cards specific to FLRA. The policies should be written in accordance with the required elements outlined in OMB Circular A-123, Appendix B, Section 2.3.
- 1.2 Review and update written policies annually as stated in OMB Circular A-123, Appendix B, Section 2.1.

Finding No. 2 - Noncompliance with Training Policies and Procedures

FLRA is not in compliance with the training policies and procedures stated in OMB Circular A-123, Appendix B, Section 3. Training is important to ensure that charge card managers and cardholders understand their roles and responsibilities.

We identified the following issues with FLRA's compliance with the above guidance:

- Of the 10 purchase cardholders at September 30, 2013, there were no copies of training certificates located for five of the purchase cardholders. OMB Circular A-123, Appendix B, Section 3.4 states copies of all training certificates must be maintained pursuant to U.S. National Archives and Records Administration requirements, General Records Schedule 1. Item 10a.
- No formal training is completed by new travel cardholders. OMB Circular A-123, Appendix B, Section 3.1 states that each agency must provide training to all charge card programs.
- No purchase cardholders or travel cardholders are required to complete refresher courses after receiving their purchase/travel card. OMB Circular A-123, Appendix B, Section 3.4 states that all program participants must take refresher training, at a minimum, every 3 years.

Recommendations:

We recommend the Executive Director:

2.1 Implement training programs for travel cardholders in accordance with OMB Circular A-123, Appendix B, Section 3.4 and Section 3.5.2.

2.1. Review and update the training program for the purchase cardholders in accordance with OMB Circular A-123, Appendix B, Section 3.4 and 3.5.1. The GSA SmartPay program provides online cardholder and program coordinator training, for example.

Finding No. 3 - Untimely Payments

We identified the following issue with FLRA's reimbursement of travel cards:

- Of the 20 travel charge card reimbursements reviewed during testing, two were not paid to the cardholder within the 5 days of receiving the travel voucher. This is a violation of the FLRA Policy Instruction No. 1501.2.

Recommendation:

We recommend the Executive Director:

3.1 Monitor the Interior Business Center's payment history and then adjust procedures in the future to ensure late payments of travel vouchers are avoided.

Finding No. 4 - Untimely Submission of Travel Vouchers

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

- Of the 20 travel vouchers reviewed during testing, there were three 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. Federal Travel Regulations and FLRA Policy Instruction No. 1501.2 state that travel vouchers should be submitted to the appropriate approving official within 5 business days after travel.

Recommendation:

We recommend the Executive Director:

4.1 Remind employees to submit their travel vouchers in a timely manner in accordance with Federal Travel Regulations and FLRA's policy instruction.

Finding No. 5 - Outdated Travel Card Policies and Procedures

FLRA's Policy Instruction No. 1501.2 for Government Contractor-Issued Travel Charge Cards was approved in 2004 by former FLRA management officials. The Policy Instruction has not been updated since its approval in 2004. Under Section 2.1 of OMB Circular A-123, Appendix B, written policies and procedures should be updated annually, or more frequently, if necessary to remain current.

Recommendation:

We recommend the Executive Director:

5.1 Review and update the Policy Instruction No. 1501.2 to reflect current travel card policies and procedures.

Finding No. 6 - Lack of Credit Worthiness Assessment for New Travel Cardholders

FLRA does not assess the credit worthiness of new travel charge card applicants prior to issuing a card. Under Section 6.1 of OMB Circular A-123, Appendix B, all new travel charge card applicants must undergo a credit worthiness assessment pursuant to Section 846 of the Consolidated Appropriates Act, 2008. As of the effective date of the Consolidated Appropriates Act, 2008, only new cardholders are subject to assessment; current cardholders are not subject to these requirements.

Recommendations:

We recommend the Executive Director:

6.1 Complete credit worthiness assessments for all new travel cardholders going forward.

6.2 Review OMB Circular A-123, Appendix B, Section 6.3 for specific steps required before issuing a travel charge card to a first-time applicant.

Scope

The audit covered purchase and travel card transactions for FY 2013. FLRA had ten purchase cards and eighty five active travel cards during the beginning of our audit work. Audit fieldwork took place in December 2013 and January 2014.

Methodology

We conducted this 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 federal 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.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland

February 24, 2014

APPENDIX A:

Management Comments to the Draft Report



UNITED STATES OF AMERICA
FEDERAL LABOR RELATIONS AUTHORITY
WASHINGTON, D.C. 20424-0001

February 11, 2014

MEMORANDUM

TO: Dana Rooney-Fisher
Inspector General

FROM: Sarah Whittle Spooner 
Executive Director

SUBJECT: Draft Report of Audit Controls over Government Purchase and Travel Card
Programs Fiscal Year 2013 Report No. AR-14-02

Thank you for the opportunity to review and provide comments to the draft audit report. We have no comments at this time. I note that based on the draft, we have begun planning efforts to strengthen internal controls over the travel and purchase card programs as well as develop and implement appropriate policies and procedures. We look forward to working with you to address the final report findings.

Please let me know if you need anything further to assist you or your contractor.

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
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