



— OFFICE *of* —
INSPECTOR GENERAL
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UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

Corrective Action Verification Government Purchase Card Program and Government Travel Card Program Audit Recommendations

**U.S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT | 2022-FO-0006**

August 24, 2022

Date: August 24, 2022

To: Jimmy Fleming-Scott
Chief Procurement Officer, N
Vinay V. Singh
Chief Financial Officer, F

From: Kilah S. White
Assistant Inspector General for Audit, GA

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our government charge card corrective action verification.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Lakesha Shaw, Acting Audit Director, at (202) 557-4683.

Highlights

CORRECTIVE ACTION VERIFICATION GOVERNMENT PURCHASE CARD PROGRAM AND GOVERNMENT TRAVEL CARD PROGRAM AUDIT RECOMMENDATIONS | 2022-FO-0006

What We Audited and Why

We completed a corrective action verification (CAV) of recommendations from prior Office of Inspector General (OIG) audit reports on the U.S. Department of Housing and Urban Development's (HUD) government purchase cards and government travel cards, both issued January 31, 2020. During our CAV, we followed up on all 10 recommendations from OIG audit report 2020-KC-0001 and all 13 recommendations from OIG audit report 2020-KC-0002. Our CAV objective was to determine whether HUD implemented adequate corrective actions in response to the recommendations.

What We Found

Corrective actions were not fully implemented or completed for 2 of 10 recommendations from audit report 2020-KC-0001 and 3 of 13 recommendations from audit report 2020-KC-0002. The Office of the Chief Procurement Officer (OCPO) and the Office of the Chief Financial Officer (OCFO) did not fully implement the agreed-upon corrective action plans because (1) responsibilities for the corrective actions transferred to three separate offices in less than 1 year and there were insufficient resources to complete the planned actions and (2) management later decided to change corrective action plans due to reporting difficulties, reluctance to collect information regarding disciplinary actions, and the timing of union negotiations. However, OCPO and OCFO closed the recommendations without revising the management decisions or fully implementing or completing the corrective actions. As a result, HUD lacked assurance that the agency used efficient and effective techniques to prevent or detect inappropriate use of government purchase and travel cards. Specifically, HUD could not ensure that disciplinary actions were performed when inappropriate use of government purchase and travel cards was detected or a consistent method was implemented for reviewing and analyzing (1) training records and (2) data for split transactions and appropriate methods of payment.

What We Recommend

We recommend that HUD submit a revised management decision to address the recommendation and fully implement those actions for two recommendations from OIG audit report 2020-KC-0001 (2020-KC-0001-001A and 002A) and three recommendations from OIG audit report 2020-KC-0002 (2020-KC-0002-001A, 001D, and 002C).

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Background and Objective

On October 5, 2012, the Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194, (Charge Card Act) was signed into law. The Charge Card Act was designed to prevent abuse in government charge card programs. This law required all executive branch agencies to establish and maintain safeguards and internal controls for their use of purchase cards. This law also required each agency that had employees who used travel charge cards to establish and maintain internal control activities to ensure the proper, efficient, and effective use of the charge cards. Further, it required offices of inspector general to (1) conduct periodic risk assessments of the agency purchase card program to identify and analyze risks of illegal, improper, or erroneous purchases for executive agencies with more than \$10 million in annual purchase card, convenience check, or travel card transactions; (2) perform analysis or audits, as necessary, of purchase card transactions to identify potentially illegal, improper, or erroneous use of purchase cards, any pattern of such uses, and categories of purchases that could be made by means other than purchase cards; (3) report to the head of the executive agency concerned on the results; and (4) report to the Director of the Office of Management and Budget on the implementation of recommendations.

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), completed a corrective action verification (CAV) of recommendations from prior OIG audit reports on HUD's government purchase cards and HUD's government travel cards, both issued January 31, 2020, due to the fact that in FY 2020 and 2021 HUD fell below the \$10 million thresholds in both purchase card and travel cards. The 10 recommendations made by HUD OIG in purchase card audit report 2020-KC-00011 were closed by the Office of the Chief Procurement Officer in May 2020. The 13 recommendations made by HUD OIG in travel card audit report 2020-KC-00022 were closed by the Office of the Chief Financial Officer between July and October 2020. During our CAV, we followed up on all 23 recommendations from the OIG audit reports. Our CAV objective was to determine whether HUD implemented adequate corrective actions in response to the recommendations.

In 2020-KC-0001, OIG determined that (1) HUD did not have accurate and complete records of cardholders and transactions, (2) purchase cardholders and approving officials did not always take purchase card training when required, and (3) HUD purchase cards were used for improper purchases and incurred improper interest charges. As part of its response to the audit report, HUD agreed to (1) implement processes to periodically audit or reconcile the shared service provider's records, (2) review hierarchies, (3) ensure that training is taken when required, (4) suspend cardholders or approving officials who fail to take training or repeatedly cause HUD to pay interest, and (5) research the incomplete monthly transactional data and identify a solution. In addition, HUD agreed to (1) enhance the process to periodically analyze data for split transactions or improper merchant category codes (MCC), (2) improve notifications to employees, and (3) follow up on any potential issues identified.

¹ HUD OIG 2020-KC-0001, Government Purchase Cards, HUD's Purchase Card Program Had Inaccurate Records, Untimely Training, and Improper Purchases, <https://www.hudoig.gov/reports-publications/report/huds-purchase-card-program-had-inaccurate-records-untimely-training-and>

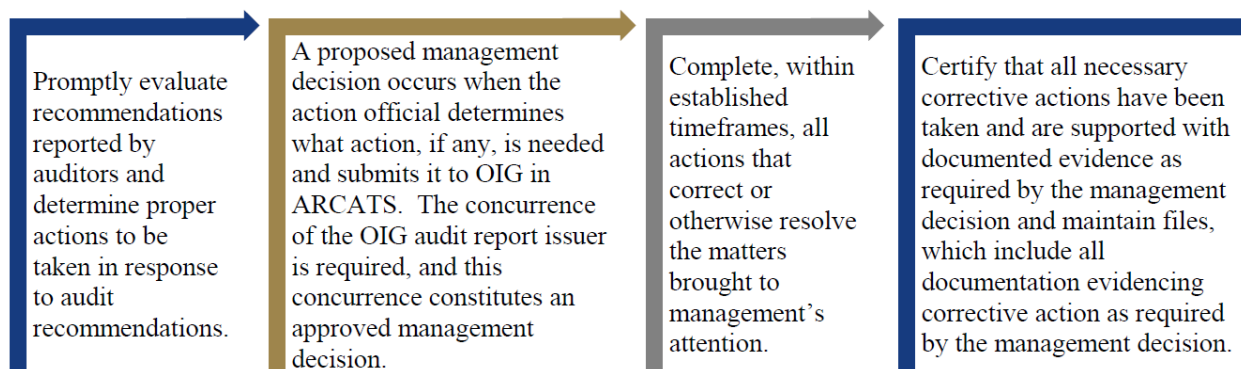
² HUD OIG 2020-KC-0002, Government Travel Cards, HUD's Travel Cards Were Used for Illegal, Improper, or Erroneous Purchases and Were Not Always Used When Required, <https://www.hudoig.gov/reports-publications/report/huds-travel-cards-were-used-illegal-improper-or-erroneous-purchases-and>

In 2020-KC-0002, OIG determined that HUD’s travel cards were used for illegal, improper, or erroneous purchases. In addition, employees used their personal sources of payment instead of the government travel card in violation of the Federal Travel Regulation. As part of its response to the audit report, HUD agreed to (1) coordinate with the related program offices to take appropriate actions against employees identified in the report, (2) improve controls to ensure the proper use of the travel cards and detect employees who did not use their government travel cards when required, and (3) provide employees with appropriate training on the issues identified in the report and ensure that all cardholder training is up to date.

Audit Resolution Process

HUD Handbook 2000.06, REV-4, Audits Management System, details the operating procedures for HUD’s management system used to monitor the implementation of recommendations in audit reports prepared by OIG, the U.S. Government Accountability Office, or other auditors. The core responsibility for implementing the audit resolution process is vested within HUD and its subordinate headquarters and field program and administrative managers. HUD uses the Audit Resolution and Corrective Action Tracking System (ARCATS) to track the audit resolution process. After OIG issues an audit report or memorandum with recommendations, HUD program or administrative managers are to follow the audit resolution process described in figure 1 below.

Figure 1 – Audit resolution process



Final action for an OIG-issued recommendation occurs when all actions identified in the management decision or the revised management decision have been implemented; the action official, recommendation action official, or point of contact certifies to the completion of all actions; and the audit liaison officer accepts the certification and closes the recommendation. Final action should normally occur within 1 year of the original management decision date. See additional details regarding the audit resolution process at Appendix B, Criteria.

Results of Audit

FINDING: HUD DID NOT SATISFACTORILY COMPLETE THE AGREED-UPON CORRECTIVE ACTIONS FOR 5 OF 23 RECOMMENDATIONS

The corrective actions for five recommendations were not fully implemented or completed. Corrective actions in accordance with the agreed-upon management decisions were not fully implemented or completed for 2 of 10 recommendations from audit report 2020-KC-0001 and 3 of 13 recommendations from audit report 2020-KC-0002. OCPO and OCFO did not fully implement the agreed-upon corrective action plans because (1) responsibilities for the corrective actions transferred to three separate offices in less than 1 year and there were insufficient resources to complete the planned actions and (2) management later decided to change corrective action plans due to reporting difficulties, reluctance to collect information regarding disciplinary actions, and the timing of union negotiations. However, OCPO and OCFO closed the recommendations without revising the management decisions or fully implementing or completing the corrective actions. As a result, HUD lacked assurance that the agency used efficient and effective techniques to prevent or detect inappropriate use of government purchase and travel cards. Specifically, HUD could not ensure that disciplinary actions were performed when inappropriate use of government purchase and travel cards was detected or a consistent method was implemented for reviewing and analyzing (1) training records and (2) data for split transactions and appropriate methods of payment.

HUD Did Not Implement Adequate Corrective Actions for 2 of 10 Purchase Card Program Recommendations

OCPO closed recommendation 2020-KC-0001-001A and 002A before corrective actions in accordance with the agreed-upon management decisions were fully implemented or completed. Those recommendations and associated management decisions and corrective action plans are shown below.

Table 1

Audit recommendations and agreed-upon management decisions from 2020-KC-0001	
2020-KC-0001-001A	Recommendation: Implement a process to periodically audit or reconcile ARC's [Administrative Resource Center] records.
	HUD management decision: The HUD Government Purchase Card (GPC) Program Policy Guide provides that the HUD Purchase Card Program and ARC will conduct quarterly reconciliation meetings. These meetings will allow the implementing parties the opportunity to ensure that the training trackers are in accord and are providing substantially the same information. The first meeting was held on October 8, 2019. A second meeting was held on January 15, 2020.
2020-KC-0001-001A	Recommendation: Enhance the process to periodically analyze data for split transactions or improper MCCs and follow up on any potential issues identified.
	HUD management decision: ARC recently implemented Mastercard's Insights on Demand (IOD). The IOD is a real-time auditing tool that checks for potential split transactions, suspicious keywords, and restricted MCCs. ARC and HUD agency program coordinators will use this tool to monitor purchase card transactions.

Audit recommendations and agreed-upon management decisions from 2020-KC-0001

Also, Citi has advised that the “transaction reference number” attribute must be included in a report to detect potential split transactions. When this attribute is missing, only one transaction is pulled into the report, even when a cardholder has processed multiple transactions on the same date, to the same merchant, and for the same amount. Following this discovery, the “transaction reference number” was included in every monthly report that has been sent since June 2019. Additionally, OCPO has created a report with the capability to identify potential split purchases, as well as purchases that have “split risk” potential.

Recommendation 2020-KC-0001-001A

The agreed-upon management decision and corrective actions were not fully implemented. We reviewed the evidence for closure in ARCATS along with the management decision, consisting of one accepted email invitation for a reconciliation meeting, standard operating procedures for HUD-ARC reconciliation meetings, and the GPC Program Policy Guide. We requested evidence to support that HUD conducted reconciliation meetings in 2020 and 2021. Meeting minutes were not available to support reconciliation meetings in 2020. HUD provided training trackers,³ which showed evidence of reconciliation, for the second and third quarters of fiscal year 2020; however, trackers were not provided for the first and fourth quarters. HUD provided evidence to support that it only conducted two reconciliation coordination meetings in 2021 (April and July). HUD provided no evidence that the quarterly process was consistently implemented to audit or reconcile ARC’s training records. These quarterly meetings were the planned mechanism for HUD and ARC to ensure that their training records agreed with one another.

This situation occurred because the responsibility for the GPC administration transitioned among three different responsible offices in a period of about 9 months. Additionally, OCPO had a significant reduction in the number of dedicated full time employees (FTEs) from four to only one FTE and two part time assistants, as well as, a new agency program coordinator, all of which impacted program administration. OCPO closed the recommendation in May 2020 despite not completing the corrective action. As a result, HUD lacked assurance that cardholders received proper training and were aware of purchase card rules and responsibilities.

We provided OCPO with our results regarding the management decision’s not being fully implemented. OCPO planned to provide sufficient evidence that it will consistently conduct quarterly reconciliation meetings as required by the HUD GPC Program Policy Guide. We believe these actions, once implemented, will satisfactorily address the recommendation.

Recommendation 2020-KC-0001-002A

OCPO did not fully implement the corrective action for this recommendation. OCPO indicated that it would use IOD reports for monitoring to detect split transactions, suspicious keywords, and restricted MCCs. However, the IOD reports were not used because they returned false positives. Further, the

³ ARC and HUD are supposed to meet once a quarter to reconcile refresher training information between the two parties. The information is to be recorded on HUD’s Purchase Card Program SP3 Training Tracker.

management decision stated that OCPO created a report [using Excel] to identify potential split purchases and purchases that had “split risk” potential. However, OCPO has since determined that identifying split transactions involves significant human judgement and, therefore, the Excel report was less reliable than a manual review and was not being used by OCPO staff.

Instead, OCPO was using a monthly transaction report, prepared by ARC, to manually analyze and identify possible problems. This report included the transaction reference number, which could be used to detect split transactions. OCPO conducted monthly, line-by-line manual reviews of the data to target questionable transactions, including purchases that had the potential to be split transactions.

We provided our results to OCPO regarding the management decision’s not reflecting the evidence provided for the actual process in place. OCPO provided a draft revised management decision to reflect the manual process in place and agreed to update ARCATS. We believe the draft revised management decision, along with the manual review that was implemented, will satisfactorily address the recommendation.

HUD Did Not Implement Adequate Corrective Actions for Its Government Travel Card Program, Audit Report 2020-KC-0002

HUD officials closed 3 of 13 recommendations from audit report 2020-KC-0002 before corrective actions in accordance with the agreed-upon management decisions were fully implemented or completed. The specific recommendations and associated management decisions and corrective action plans are shown below.

Table 2

Audit Report 2020-KC-0002 recommendations and management decisions	
2020-KC-0002-001A	Recommendation: Suspend the travel cards for 35 employees who made 166 improper, illegal, or erroneous purchases, if warranted based on the nature of misuse, and coordinate with the related program offices, the Office of the Chief Human Capital Officer, and the Office of Employee Labor Relations to take appropriate disciplinary actions against these employees and their supervisors who did not follow up on the monitoring reports.
	HUD management decision: We agree with the recommendation. The names of 35 employees listed on the Improper, Illegal, or Erroneous Purchases Report will be turned over to the divisional agency or organization program coordinator (A-OPC) to contact the employee’s supervisor for further actions. We will request that the A-OPCs furnish a copy of this information to the HUDTravelChargeCard@hud.gov mailbox for OCFO’s record and for reporting government travel charge card (GTCC) effectiveness to the Office of Management and Budget.
2020-KC-0002-001D	Recommendation: Require program offices to report all disciplinary actions taken against employees who made improper purchases.
	HUD management decision: We agree with this recommendation. OCFO will update the Certification of Monthly Travel Charge Card Monitoring Report with a statement to the A-OPC to certify that disciplinary action was taken against employees who made improper purchases and the number of disciplinary actions taken.

Audit Report 2020-KC-0002 recommendations and management decisions

2020-KC-0002-002C	<p>Recommendation: Update HUD’s travel card policy to require approving officials’ review of travel documents for appropriate methods of payment and work with the Office of Employee Labor Relations and the Office of the Chief Human Capital Officer to prescribe disciplinary actions for not using the government travel card when required.</p> <p>HUD management decision: We agree with the recommendation.</p> <ul style="list-style-type: none"> • OCFO will notify GTCC cardholders of the requirement to use their GTCC for all possible travel-related transactions. • The Senior Travel Office will coordinate with the Office of the Chief Human Capital Officer and the Office of Employee Labor Relations to outline the disciplinary action process for violations of unauthorized or inappropriate GTCC use and update the travel charge card management plan. • In addition, we will provide an informational flyer to the approving officials, suggesting that they do their due diligence to ensure that GTCC cardholders use the appropriate methods of payment. We cannot require the approving officials to perform such duties without the labor union’s involvement in the process. Labor union negotiations take approximately 18 months, and there is no guarantee of successfully implementing the change. We will attempt to negotiate this change.
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Recommendation 2020-KC-0002-001A

OCFO did not take all agreed-upon corrective actions. OCFO determined, after consulting with the Office of the Chief Human Capital Officer and the Office of Employee Labor Relations, that it would not collect information regarding disciplinary actions taken against program office employees based on a belief that doing so would have encountered resistance from labor unions. Therefore, HUD was only able to provide evidence that it sent emails to the 35 employees, communicating that they were found to have made improper, illegal, or erroneous purchases. Although we communicated during the CAV that taking this action alone was insufficient, no other action was taken by OCFO (although in at least one case, OCFO reduced a travel cardholder’s credit limit and the A-OPC stated that he had reached out to each of the individual cardholders to explain the issues identified). OCFO closed the recommendation without sufficiently addressing it.

We provided our results to OCFO regarding the management decision’s not being fully implemented. OCFO concurred with our conclusions and agreed to revise their management decision.

Recommendation 2020-KC-0002-001D

OCFO closed the recommendation without taking action it previously agreed to. OCFO modified its response from agreement to disagreement and did not communicate the change in position to HUD OIG before closing the recommendation in October 2020. During our review, we brought this matter to OCFO’s attention, and it concurred that it should not have closed the recommendation and agreed to revise their management decision.

Recommendation 2020-KC-0002-002C

The agreed-upon management decision noted that HUD could not require approving officials to review payment methods without the labor union's involvement and that union negotiations take approximately 18 months. The final action target date for the recommendation was established as November 30, 2021 (providing approximately 18 months); however, HUD closed the recommendation in July 2020 without negotiations (and there have been no negotiations to date). HUD did, however, issue a travel regulation update for GTCC use, reminding cardholders of the requirement that GTCCs must be used for all travel expenses unless exempted under the Federal Travel Regulation, and indicated that disciplinary action may occur, depending on the severity of the problem, including counseling, oral or written reprimand, suspension without pay, or removal from Federal employment. Although OCFO took some action, it did not complete all agreed-to actions before closing the recommendation.

We provided our results to OCFO regarding the management decision's not being fully implemented. OCFO concurred with our conclusions and agreed to revise their management decision.

Conclusion:

HUD did not complete corrective actions to address risks associated with government purchase and travel cards. OCFO closed two recommendations from audit report 2020-KC-0001, one for which corrective actions were not satisfactorily completed and another for which corrective actions were completed differently from what was agreed upon in the management decision. OCFO closed three recommendations from 2020-KC-0002 without ensuring that the underlying issues had been effectively remediated.

Recommendations:


Based on the cited deficiencies,

we will reopen recommendations 001A and 002A from OIG audit 2020-KC-0001:

- 1A. Implement a process to periodically audit or reconcile ARC's records.
- 2A. Enhance the process to periodically analyze data for split transactions or improper MCCs and follow up on any potential issues identified.

we will reopen recommendations 001A, 001D, and 002C from OIG audit 2020-KC-0002:

- 1A. Suspend the travel cards for 35 employees who made 166 improper, illegal, or erroneous purchases, if warranted based on the nature of misuse, and coordinate with the related program offices, the Office of the Chief Human Capital Officer, and the Office of Employee Labor Relations to take appropriate disciplinary actions against these employees and their supervisors who did not follow up on the monitoring reports.
- 1D. Require program offices to report all disciplinary actions taken against employees who made improper purchases.

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- 2C. Update HUD's travel card policy to require approving officials' review of travel documents for appropriate methods of payment and work with the Office of Employee Labor Relations and the Office of the Chief Human Capital Officer to prescribe disciplinary actions for not using the government travel card when required.

Scope and Methodology

Our review covered the period January 2020 to October 2021 and included actions taken by HUD to address the 23 recommendations from OIG audit reports 2020-KC-0001 and 2020-KC-0002. We conducted the audit fieldwork from the OIG Office of Audit in Washington, DC, between June and October 2021. To accomplish our objective, we

- reviewed OIG audit reports 2020-KC-0001 and 2020-KC-0002;
- reviewed the management decisions submitted by HUD;
- reviewed background information, including applicable laws and regulations and relevant criteria;
- interviewed HUD officials;
- reviewed documentation to validate that OCPO and OCFO had taken corrective actions and recommendations had been properly closed; and
- followed up with OCPO and OCFO personnel when we found potential issues to confirm preliminary conclusions.

We relied on information obtained from ARCATS and additional supporting evidence obtained from HUD.

We conducted the CAV in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the CAV to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our CAV objective.

Appendixes

APPENDIX A - AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG
Evaluation

Auditee Comments


Comment 1



U.S. Department of Housing and Urban Development
Washington, D.C. 20410

CHIEF PROCUREMENT OFFICER

7/25/2022

MEMORANDUM FOR: Kilah S. White, Assistant Inspector General for Audit, GA
FROM:  Jimmy Fleming-Scott, Chief Procurement Officer, N
SUBJECT: Management Decision on Draft 2022-FO-0005
REFERENCE: Corrective Action Verification of HUD's Government Purchase Card Program Audit Recommendations


OCPO appreciates the Inspector General's review and recommendation for HUD's Government Purchase Card Program. OCPO has concurred with Recommendation 1A of OIG's assessment that OCPO should, submit a revised management decision to address the recommendation and fully implement those actions for recommendation 2020-KC-0001-001A, "Implement a process to periodically audit or reconcile ARC's record." In addition, OCPO has concurred with Recommendation 1B of OIG's assessment that OCPO should, submit a revised management decision that reflects the actual process in place for recommendation 2020-KC-0001-002A, "Enhance the process to periodically analyze data for split transactions or improper MCCs and follow up on any potential issues identified."

If you have any questions concerning the proposed management decision, please contact Ms. Iris Stevenson, HUD Agency Program Coordinator for the Purchase and Fleet Card Programs at (202) 402-3091 or Mr. Lawrence Chambers, Director, Risk Management and Compliance Division at (202) 402-6716.

Ref to OIG
Evaluation

Auditee Comments

Comment 2

	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410
OFFICE OF THE CHIEF FINANCIAL OFFICER	
HUD OCFO MEMO 22-73	
August 1, 2022	
MEMORANDUM FOR:	Kilah S. White, Assistant Inspector General for Audit, GA George Tomchick <small>Digitally signed by George Tomchick Date: 2022.08.01 14:44:11 -04'00'</small>
FROM:	George J. Tomchick, Deputy Chief Financial Officer, F
SUBJECT:	Corrective Action Verification of HUD Government Purchase Card and Government Travel Card Program Audit Recommendations
<p>This memo serves as the response to the draft audit report in which the below revisions should close out the outstanding audit findings. The Office of the Chief Financial Officer would like to thank the Office of the Inspector General, Audit Division for their time and expertise for providing solutions to enhance the department's travel card program.</p>	
2020-KC-0002-001A	
Recommendation:	
Suspend the travel cards for 35 employees who made 166 improper, illegal, or erroneous purchases, if warranted based on the nature of misuse, and coordinate with the related program offices, the Office of the Chief Human Capital Officer, and the Office of Employee Labor Relations to take appropriate disciplinary actions against these employees and their supervisors who did not follow up on the monitoring reports.	
HUD Response:	
All cards were reissued with new numbers to all cardholders under the Department of Treasury contract with Citibank. Since the cards in question are already closed, suspension of the cards is no longer an option.	
We will change the management decision to reflect that we will make an adjustment to our process which will require all program offices to report any disciplinary actions taken monthly going forward. In addition, all violations of any kind will require the cardholder to take focus training from the OCFO to ensure that the cardholder is aware of the uses of the government travel credit card.	
2020-KC-0002-001D	
Recommendation:	
www.hud.gov	espanol.hud.gov

Ref to OIG
Evaluation

Auditee Comments

Comment 2

Require program offices to report all disciplinary actions taken against employees who made improper purchases.

HUD Response:

We will be updating the management decision to change the wording to state that we will update our procedures concerning the Certification of Monthly Travel Charge Card Monitoring Report with a statement to the AOPC to require each program office to report any disciplinary action taken against employees who made improper charges or any other infractions as it relates to the government issued card.

2020-KC-0002-002C

Recommendation:

Update HUD's travel card policy to require approving officials' review of travel documents for appropriate methods of payment and work with the Office of Employee Labor Relations and the Office of the Chief Human Capital Officer to prescribe disciplinary actions for not using the government travel card when required.

HUD Response:

We will update our management decision to reflect that we will provide training to the approving officials on what to look for when approving travel documents. We will also send out semiannual reminders to our traveler' reminding them of the requirements to use their government issue credit cards when on official travel.

The Table of Penalties already details the punishment for the travel charge card abuse so that policy has already been established by the department. All disciplinary actions will be required to be reported to the OCFO office.

If you have any questions or comments about this report, please do not hesitate to contact Elfreda Jones, Agency Program Coordinator, at (817) 978-5653.

Comment 2

OIG Evaluation of Auditee Comments

- Comment 1 We appreciate OCPO's cooperation and collaboration with our office as we conducted the audit. OCPO's continued efforts in strengthening its internal controls will improve its ability to prevent or detect inappropriate use of government purchase cards. We look forward to working with OCPO to reopen recommendations 001A and 002A from OIG audit 2020-KC-0001 and to review its revised management decisions to close out the recommendations from that audit.
- Comment 2 We acknowledge OCFO's concurrence with our recommendation to submit a revised management decision addressing the recommendation from prior year. OCFO's continued efforts in strengthening its internal controls will improve its ability to prevent or detect inappropriate use of government travel cards. We look forward to working with OCFO to reopen recommendations 001A, 001D, and 002C from OIG audit 2020-KC-0002 and to review its revised management decisions to close out the recommendations from that audit.

APPENDIX B - CRITERIA

HUD Handbook 2000.06, REV-4, Audits Management System, Section 1-6, General Standards for Management Decisions and Final Actions

- A. **Timing.** HUD has established a goal for achieving a management decision within 120 calendar days so that any impasses can be satisfied prior to the federal requirement that management decisions be in place by 180 days after report issuance. A management decision is required on all recommendations in an audit report within 6 months (180 days) after the report is issued. HUD's goal for completion of final action is 1 year from the management decision date. However, when large amounts of disallowed costs are to be recovered by HUD or the program on an installment basis, HUD's goal is to have all costs recovered within 3 years. Final action could occur simultaneously with the management decision if the management decision can be made and the required corrective actions completed within 120 calendar days after issuance of an audit report.
- B. **Documentation.** Management decisions and final actions shall be supported in ARCATS and supplemented by appropriate documentation so that the Audit Management System (AMS) status of each audit report and its controlled recommendations can readily be determined. An electronic Final Action Certification (FAC) in ARCATS is required for all final actions that are not closed by the OIG or where the OIG has requested that the ALO [audit liaison officer] close the recommendation. ALOs will not close audit recommendations without the certification from the responsible AO [action official], RAO [recommendation action official], or POC [point of contact] as designated in ARCATS.
- C. **Management Decision.** A proposed management decision occurs when the AO evaluates the recommendations in the audit report and determines what action, if any, is needed and submits it to the OIG in ARCATS. The concurrence of the OIG audit report issuer is required on OIG-issued recommendations and this concurrence constitutes an approved management decision. Proposed management decisions provided for OIG concurrence must include:
 - 1. A final action target date;
 - 2. Details on the types of documentation that will be used to evidence that final action is completed;
 - 3. A Program POC;
 - 4. Projections of any savings (funds to be put to better use) or amounts to be repaid (disallowed questioned costs) to HUD or program participants that will result from implementation of corrective actions, as applicable; and
 - 5. A description of the actions to be taken.

Any changes to the corrective actions necessary, projections of any savings, amounts to be repaid (i.e. amounts disallowed), or the types of documentation to be used to evidence final action are considered revised management decisions. These changes must be submitted to the OIG

through ARCATS and concurred on by the OIG report issuer before management can consider the recommendation as having a revised management decision.

- D. **Final Action.** Final action for an OIG issued recommendation occurs when all actions identified in the management decision (action plan) or the revised management decision have been implemented, the AO, RAO, or POC certifies to the completion of all actions, and the ALO accepts the certification and closes the recommendation. Final action should normally occur within 1 year of the original management decision date.

The AO, RAO, and POC is responsible for monitoring progress, documenting completion of the final action, forwarding the evidence to provide closure, as specified in the management decision, to the ALO within the target date. For an OIG recommendation to be considered as having final action, all actions required by the management decision or revised management decision must be completed. Additionally, the AO, RAO, or POC must certify in ARCATS that all necessary corrective actions have been taken and all necessary documentation has been obtained in accordance with the management decision that was concurred on by the OIG. If a recommendation contains disallowed costs, the amounts shall be recovered, adjusted, or forgiven before the recommendation can be considered to have final action for AMS purposes.

HUD Handbook 2000.06, REV-4, Audits Management System, Section 4-3, Duties and Responsibilities

- B. The ALO's responsibilities include the following:
1. Serving as the contact point for all inquiries concerning the status of recommendations during the various stages of the AMS process;
 2. Maintaining and providing technical assistance and training for AMS and ARCATS for their program area;
 3. Entering and updating ALO comments in ARCATS for all open recommendations in their program area that are overdue or need a status update;
 4. Ensuring that the required status reports are provided to the OIG report issuer and AO or HPOH [headquarters primary organization head];
 5. Working with management, and when necessary OIG, to ensure that management decisions are reached timely;
 6. If a management decision is not obtained within the 120-day Departmental goal, negotiating/coordinating with OIG to ensure the recommendations are referred to upper management for resolution;
 7. Working with management, and when necessary OIG, to ensure that action plans are implemented within the final action target dates;
 8. Coordinating with OIG the need to recode recommendations to under judicial, legislative, and investigative review;

9. Informing senior management of systemic or specific problems preventing timely implementation of action plans;
10. Reviewing final action target date extension requests for action plans that are within 1 year of the original management decision and updating ARCATS to reflect the extension granted including the rationale;
11. Coordinating with staff the necessary documentation needed to address each action plan;
12. Reviewing the supporting documentation to ensure compliance with the agreed upon management decision;
13. Providing a detailed analysis of what corrective action is needed to complete the requirements of the action plan if the submitted documentation does not adequately address it, as contained in the OIG's approved management decision's Evidence to Provide Closure Section; and
14. If the submitted documentation adequately addresses the action plan: a) directing the AO, RAO, or POC to submit the FAC in ARCATS; b) receiving the FAC in ARCATS; c) reviewing the certification package; and d) if appropriate, closing the recommendation in ARCATS to reflect that final action has been taken.

HUD Handbook 2000.06, REV-4, Audits Management System, Section 5-8, Closing Recommendations

Final action occurs when all corrective actions, including recovery and/or forgiveness of disallowed costs, is completed. The date of the ALO acceptance of the final action certification and closure of the recommendation in ARCATS is the date of the final action, except when the OIG closes a recommendation at the time the audit was issued.

- A. AO, RAO, and POC Responsibilities. The AO, RAO, or POC should obtain and review supporting documentation to ensure all action has been completed either through the review of documentation submitted, on-site review, or a combination of both. The AO, RAO, or POC shall certify in ARCATS that all actions have been taken in accordance with the management decision concurred on by the OIG and that all documentation evidencing final action has been obtained. The AO, RAO, or POC must forward to the responsible ALO the documentation evidencing final action taken on OIG-issued recommendations for purposes of closing the recommendation in ARCATS.
- B. ALO Responsibilities. Before recording the closure of a recommendation in ARCATS, the responsible ALO should take care to assure that all documentation of final action has been provided including the final action certification from the AO, RAO, or POC. The ALO must have sufficient evidence to demonstrate that the corrective actions have actually occurred before closing an audit recommendation (i.e. journal entries, copies of checks, copy of new procedure, etc.). The general rules on final action certification packages are as follows:
 1. Keep paper to a minimum (e.g., only get the table of contents, or the section that shows the policy was updated, not the whole manual), and whenever possible provide electronic copies in lieu of paper, ensuring that there is reasonable documentation for third-party review;

2. Statements that the corrective actions have been observed are fine and either written or emailed statements are acceptable; or
3. The ALO will use their judgment to decide what is needed based upon the management decision; however, such documentation should be clear enough that anyone reviewing closure will understand and agree with the decision to close.

HUD Handbook 2000.06, REV-4, Audits Management System, Section 5-9, Repeated and Reopened Recommendations

Subsequent audits may contain the same deficiency and recommendation as a prior audit, or the Corrective Action Verification (CAV) review may conclude that the recommendation has not been implemented. If it is found that a recommendation had not been implemented, the OIG will reopen the recommendation and it will be tracked using the previous report. Only new recommendations (i.e., those that were not in the prior report) will be tracked using the current report. Once a recommendation has been reopened, the OIG shall enter a new final action target date that is 45 days from the date it is reopened. The AO should propose a revised management decision through ARCATS to the OIG within 30 days and then follow the usual audit follow-up procedures.