

**FY 2018 Audit of
Science and Technology
Bankcard Program
Indicates Risks**





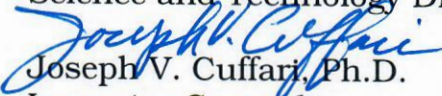
OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

July 27, 2021

MEMORANDUM FOR: Kathryn Coulter Mitchell
Senior Official Performing the Duties of the
Under Secretary
Science and Technology Directorate

FROM: 
Joseph V. Cuffari, Ph.D.
Inspector General

SUBJECT: *FY 2018 Audit of Science and Technology Bankcard
Program Indicates Risks*

For your action is our final report, *FY 2018 Audit of Science and Technology Bankcard Program Indicates Risks*. We incorporated the formal comments provided by your office.

The report contains four recommendations aimed at improving the Science and Technology Directorate's program effectiveness related to the purchase card program. Your office concurred with all four recommendations. Based on information provided in your response to the draft report, we consider recommendations 1 and 2 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Recommendations 3 and 4 are resolved and closed. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act of 1978, as amended*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Bruce Miller, Deputy Inspector General for Audits, at (202) 981-6000.



DHS OIG HIGHLIGHTS

FY 2018 Audit of Science and Technology Bankcard Program Indicates Risks

July 27, 2021

Why We Did This Audit

The Government Charge Card Abuse Prevention Act of 2012 requires the Office of Inspector General to conduct an annual risk assessment and periodic audits of agency charge card programs. We conducted this audit to determine to what extent S&T implemented internal controls to ensure that its Bankcard Program is managed and maintained to prevent illegal, improper, and erroneous purchases and payments, as required.

What We Recommend

We made four recommendations to improve S&T's adherence to regulations and DHS policies and procedures for the Bankcard Program to ensure it is managed and maintained, as required.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

Although the Science and Technology Directorate (S&T) had internal controls in place to ensure it managed and maintained its Bankcard Program as required, S&T did not always adhere to Department of Homeland Security and internal purchase card policies and procedures. Of 421 purchase card transactions selected for review, we identified 394 transactions that did not have required supporting documentation, separation of key transaction duties, approvals and other required signatures, or did not comply with other risk-based procedures.

According to S&T officials, these issues occurred due to shortfalls in program oversight and training, as well as outdated policy. As a result, we identified \$63,213 in questionable costs associated with purchase card transactions for which S&T personnel could not provide supporting documentation.

Without S&T adherence to established policies and procedures, there is an increased risk of loss and vulnerability to fraud. In addition, S&T has less assurance its internal controls are effective in mitigating the risk of fraud and inappropriate charge card practices.

S&T Response

S&T concurred with all four of our recommendations. Appendix A contains S&T's management response in its entirety.



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Background

The *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law 112-194, reinforced efforts to prevent waste, fraud, and abuse of government-wide charge card programs. As specified in the Office of Management and Budget Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, September 6, 2013, “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.” It also requires the Inspector General of each executive agency to conduct periodic risk assessments of agency purchase cards, combined integrated card programs, and travel card programs to analyze the risks of illegal, improper, or erroneous purchases. Inspectors General are to use these risk assessments to determine the necessary scope, frequency, and number of audits or reviews of these programs. This audit satisfies the periodic audit and annual risk assessment for fiscal year 2018.

The Department of Homeland Security Bankcard Program is under the authority of DHS’ Office of the Chief Financial Officer (OCFO), and includes the Purchase Card Program. The Purchase Card Program provides an efficient, low-cost procurement and payment mechanism to acquire goods and services. The Chief Financial Officer is responsible for establishing and maintaining a system of internal controls to ensure effective, efficient, and proper use of purchase cards. In this effort, Agency Program Coordinators and component-level officials aid in managing the Purchase Card Program.

The DHS Office of the Inspector General (OIG) conducted a FY 2015 risk assessment of the DHS Bankcard Program and a FY 2016 audit,¹ as required. We reported that although the Department had established internal controls for its charge card programs (Purchase Card, Travel Card, and Fleet Card Programs), components did not always follow required procedures. More specifically, testing results of charge card transactions revealed internal control weaknesses in the Bankcard Program. In both the risk assessment and the audit, we found the overall impact of the weaknesses identified to be at a moderate level of risk and that DHS’ internal controls over its charge card programs would not prevent illegal, improper, or erroneous purchases and payments. After auditing the DHS Purchase and Travel Card Programs for FY 2017,² we also reported deficiencies related to charge card programs.

¹ [Fiscal Year 2015 Risk Assessment of the DHS Bank Card Program Indicates Moderate Risk, OIG-16-129, September 2, 2016](#), and [Fiscal Year 2016 Audit of the DHS Bankcard Program Indicates Moderate Risk Remains, OIG-18-57, March 6, 2018](#).

² [Audit of DHS Fiscal Year 2017 Purchase and Travel Card Programs, OIG-20-04, November 21, 2019](#).

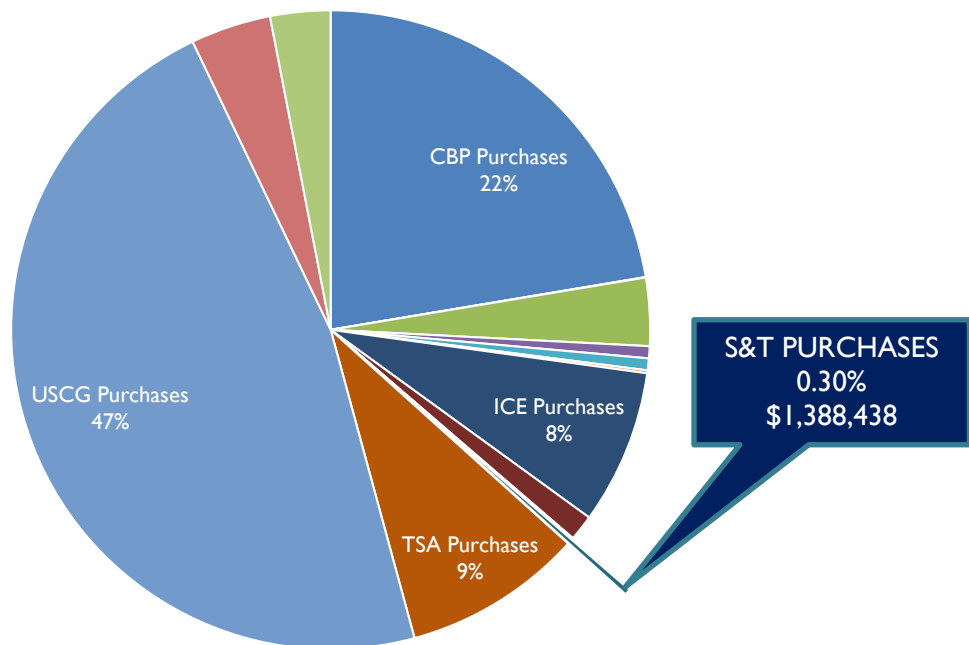


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Specifically, DHS did not always ensure compliance with internal controls for its Purchase and Travel Card Programs.

The United States Coast Guard and U.S. Customs and Border Protection represent approximately 70 percent of DHS' annual purchase card charges. As a result, prior audit testing did not focus on smaller components such as the Science and Technology Directorate (S&T). This FY 2018 audit focused on assessing whether the S&T Purchase Card Program operated efficiently in compliance with laws and regulations and to what extent internal controls effectively detected misuse, fraud, waste, or abuse of purchase cards. During FY 2018, S&T reported approximately \$1.4 million in purchase card transactions.

Figure 1. FY 2018 DHS Purchase Card Spending



Source: DHS OIG analysis of DHS OCFO FY 2018 spend data



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Results of Audit

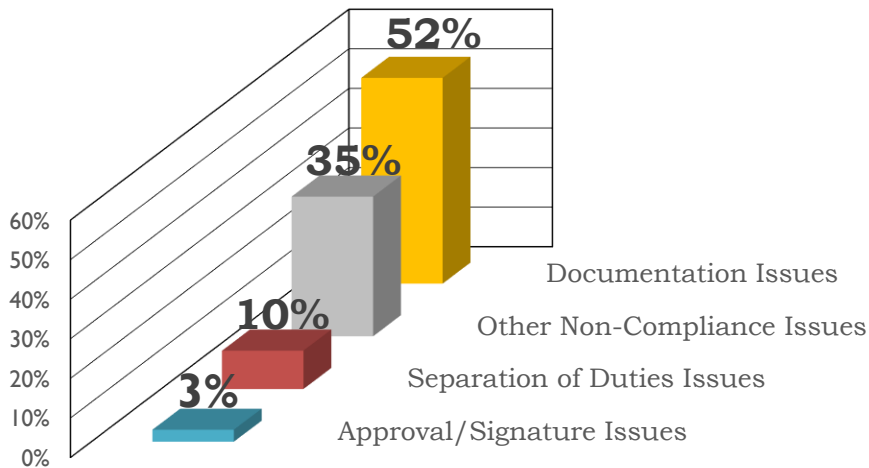
S&T Did Not Always Adhere to DHS and Internal Purchase Card Policies and Procedures

S&T has internal controls in place to ensure its Bankcard Program is managed and maintained as required, but it did not always adhere to purchase card policies and procedures established to ensure it managed and maintained its Bankcard Program properly. Of the 421 transactions reviewed, we identified 394 transactions (94 percent) that had at least one of the following issues:

- inadequate supporting documentation;
- inadequate separation of duties;
- deficiencies in approvals and other required signatures; and
- non-compliance with other risk-based procedures.

The two most common issues with transactions were instances of inadequate supporting documentation followed by non-compliance with other risk-based procedures, as detailed in Figure 2.

Figure 2. Transaction Issues Identified*



Source: DHS OIG analysis of FY 2018 testing results

*Figure 2 depicts issues identified during our review, based on the number of instances of each issue. Because some transactions had more than one issue, the number of issues does not directly correlate to the number of transactions tested.



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S&T Did Not Have Supporting Documentation for Purchase Card Transactions

The DHS and S&T purchase card manuals provide requirements for managing, maintaining, and retaining purchase card records.³ The cardholder or a designated alternate central repository must retain all original sales slips, shipping receipts, and all other required transaction documentation, purchase authorizations, and verifications of funds availability, including DHS Form 1501, Purchase Card Transaction Worksheet. See Appendix B for a sample DHS Form 1501. Approving officials are also required to ensure that records are complete, verified for accuracy, and retained in a central location. The cardholder and the approving official must complete and sign a Statement of Missing Receipt when receipts are lost or stolen.

S&T did not ensure purchase card records were maintained and complete, as required. Of the 421 transactions we reviewed, 393 were missing supporting documentation for at least one of the following:

- all or part of the DHS Form 1501;
- receipts and/or invoices;
- support for special approvals;
- resolution of disputed transactions;
- statements of missing receipts; or
- documentation to support the review and approval of purchase card transactions.

Additionally, S&T could not provide purchase card transaction files for 82 of 421 transactions selected for review (19 percent), totaling \$63,213 in purchasing costs.

Although S&T did not have documentation of the review and approval of purchase card transactions, the DHS OCFO conducted department-level assessments of component purchase card activity in FY 2018. Similar to our audit, following these assessments, the DHS OCFO reported inadequate separation of duties in S&T purchase card transaction activity.

S&T Did Not Ensure Separation of Duties in Key Transaction Roles

The DHS and S&T purchase card manuals provide guidance for implementing effective risk management activities and internal controls that are consistent with OMB Circular A-123, Appendix B to minimize the risk of loss to the

³ *DHS Financial Management Policy Manual*, Chapter 3, Part 3.2.2, *Purchase Card Manual*, July 27, 2017, and *Science and Technology Purchase Card Manual*, March 20, 2017.
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Government.⁴ The DHS Chief Financial Officer and components must ensure a clear separation of duties among key functions — making payments and purchases, convenience check writing, authorizing purchases and payments, certifying funding, and reviewing and auditing. No one individual can control more than one key aspect of a transaction. The Component Primary Organization Program Coordinator (CPOPC) may grant waivers in circumstances that do not allow for segregation of duties, but adequate compensating controls must be in place, such as periodic third-party reviews of waived transactions, to provide adequate assurance fraud, waste, or abuse does not occur. CPOPCs must ensure that waivers and compensating controls are thoroughly documented and retained.

S&T did not ensure separation of duties in key purchase card transactional duties. Of the transactions reviewed, we found 112 instances of inadequate separation of duties. This inadequate separation of duties involved key roles of the approving official and the supervisor/manager/department head (also referred to as the approving manager) approving purchases while also acting as the third-party receiver of goods. Further, we identified instances in which the requestor or approving official of the purchase transaction was also the funding verification official and instances in which a cardholder was the requestor for the purchase. Overlapping responsibilities in these key transaction roles could potentially increase the risk of loss to the Government.

S&T officials acknowledged these instances as issues that require component-level assessment. Nonetheless, S&T officials were unable to provide support for waivers they granted for circumstances that did not allow for segregation of duties.

S&T Did Not Consistently Document Approvals and Other Required Signatures

The DHS and S&T purchase card manuals provide cardholders and approving officials with guidance for levels of approval and signatures required to support purchase card transaction activity. DHS Form 1501 is required to document transaction approvals and all associated signatures related to a procurement. DHS Form 1501 is designed for components to document key information, such as the requestor, cardholder, vendor information, justification for purchase, item description and estimated cost, indication of any special approvals needed, and the date of the shipment or service received. Purchase card transactions require signatures by the funding official, approving official, purchase cardholder, an independent third party, and property custodian (for

⁴ Office of Management and Budget (OMB) Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, January 15, 2009.
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accountable property). The cardholder must also record the actual purchase or order date, and the amount paid for the item(s) purchased.

S&T did not ensure it consistently documented the signatures of funding officials, approving officials, cardholders, third-party officials, and property custodians, as required. Of 421 transactions reviewed, we identified 35 with deficiencies in approvals and other required signatures. For example, we identified transaction details without cardholder signatures, signature of third-party receipt, and approval signatures.

S&T Non-Compliance with Other Risk-Based Procedures

The DHS and S&T purchase card manuals provide risk-based procedures for completing DHS Form 1501 and obtaining required approvals prior to purchase; the order of purchase card transaction activity (receipt, invoice, and shipping); timely receipt and acceptance of goods and services rendered; and meeting purchase card training requirements. Specifically:

- The cardholder must complete DHS Form 1501 prior to placing an order but no earlier than 5 business days prior to the order, with limited exceptions for recurring orders or services.
- The cardholder must obtain required approvals prior to purchase and must receive written authorization from the approving official and funding official to make the prospective purchase.
 - Receipts and invoices should not reflect dates prior to approval.
- The cardholder must ensure that the invoice date is after the shipment date, unless placing an online order.
- Third-party acceptance and acknowledgment of goods or services must occur within 5 business days of receipt.
- The cardholder and the approving official must ensure that purchase card use is consistent with applicable laws, rules, and procedures, including not exceeding single purchase and monthly spending limits or violating restricted and split purchase policy.
- Cardholders and approving officials must successfully complete DHS purchase card training and complete refresher training every 2 years.

Of the 421 transactions selected for review, 222 had issues related to the risk-based procedures just detailed. These transactions involved 408 instances of non-compliance summarized in Table 1.



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Table 1. Instances of Non-Compliance with Risk-Based Procedures

Instances of Non-Compliance	Count
S&T cardholders and/or approving officials did not meet training requirements	147
DHS Form 1501 completed more than 5 business days prior to the order	89
Third-party acceptance date exceeded 5 business days of receipt	84
Logical order of DHS Form 1501/receipt/ invoice dates	66
Single or split purchases at a merchant	11
Single or split purchases at a merchant for amounts greater than the spending limit	10
Purchase inconsistent with restricted purchase requirements	1
Total	408

Source: DHS OIG analysis of FY 2018 transaction testing and review results

For the 147 instances of non-compliance with training requirements, either S&T could not provide training records, or cardholders and approving officials did not complete training within the required period. In either case, S&T was unable to provide support that cardholders and/or approving officials met training requirements at the time of the transaction.

Purchase Card Program Issues Occurred Due to Shortfalls in Oversight and Training and Outdated Policy

The CPOPC has primary oversight responsibility for the component-level Purchase Card Program, but it also involves the approving official. CPOPC responsibilities include reviewing cardholder transactions for fraud, waste, and abuse and establishing component-specific internal controls. Approving officials are responsible for approving, validating, overseeing, and monitoring purchase card activity for their designated cardholders.

According to S&T officials, Purchase Card Program deficiencies were due to shortfalls in program oversight and training, as well as outdated policy. First, changes in S&T program management and other critical S&T-level program roles created challenges to identifying gaps in documentation, enforcing separation of key transaction duties, and meeting training and other requirements. Further, inadequate training and the absence of S&T-enforced in-house training led to non-compliance with purchase card requirements. Outdated policy also contributed to issues meeting requirements in DHS and S&T purchase card manuals. S&T officials stated that some program processes detailed in policies and procedures may no longer be applicable and should be updated. For example, although DHS and S&T policy requires



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components use DHS Form 1501 to document transactions, the form is not always used. Some divisions in S&T use variations of the form and others do not use the form at all.

Without S&T adherence to established policies and procedures, there is an increased risk for loss and vulnerability to fraud. In addition, S&T has less assurance its internal controls are effective in mitigating the risk of fraud and inappropriate charge card practices.

Recommendations

Recommendation 1: We recommend the Science and Technology Directorate Chief Financial Officer develop a mechanism to ensure the Component Primary Organization Program Coordinator and approving officials monitor purchase card activity in accordance with regulations and Department and component policies and procedures to ensure:

- accuracy and completeness of purchase card records;
- retention of purchase card records in a central location;
- separation of duties of key purchase transaction functions;
- consistent support of purchases with appropriate levels of approval and required signatures; and
- use of purchase cards consistent with applicable laws, rules, and procedures.

Recommendation 2: We recommend the Science and Technology Directorate Chief Financial Officer assess FY 2018 purchase card transactions to identify and resolve all questionable costs.

Recommendation 3: We recommend the Science and Technology Directorate Chief Financial Officer update current policy and develop an approach to ensure that cardholders and approving officials complete purchase card training in accordance with requirements.

Recommendation 4: We recommend the Science and Technology Directorate Chief Financial Officer update S&T purchase card policy and procedures to align with current DHS requirements and component-level needs to ensure policy and procedures are clear and consistent to minimize gaps in roles and responsibilities and processes critical to the operation of the Purchase Card Program.



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Management Comments and OIG Analysis

S&T concurred with the four recommendations in this report. Appendix A contains a copy of S&T's management response in its entirety. S&T submitted technical comments separately, which we addressed as appropriate. A summary of S&T's management responses and our analysis follow.

S&T Response to Recommendation 1: Concur. S&T has taken significant steps to enhance oversight of the purchase card program, including the implementation of the Science and Technology Analytical Tracking System (STATS). STATS is a web-based "solution" for tracking S&T financial and acquisition information so that Congress and other interested parties receive accurate and timely responses to questions and information requests. STATS (1) integrates data from disparate systems; (2) automates reports; (3) modernizes legacy systems; and (4) provides a single data entry point in the current system that results in increased data integrity and allows S&T to track, analyze, and report on all program and project data in accordance with regulations. S&T's Finance and Budget Division (FBD) began developing a STATS purchase card module in FY 2020 and deployed it in the second quarter of FY 2021. The module serves as a "one-stop" shop for managing the S&T purchase card program and ensures that the program not only complies with all DHS and S&T policy, but also captures all purchase card approvals and documents.

STATS will provide users with the ability to submit purchase requests and track each request through the approval's workflow. It also allows users to submit, edit, approve, and/or reject new purchase requests; automate routing and support for associated purchase request approval workflows to ensure adequate and appropriate segregation of duties; and retain all purchase-card related documentation to include the DHS Form 1501. Additionally, the S&T CPOPC and bankcard team have access to Citibank and Visa systems to continually monitor, and take appropriate action on, purchase card activity. S&T provided the OIG a demonstration of the purchase card module in STATS on June 2, 2021.

OIG Analysis: S&T's response, in conjunction with component-level plans to conduct internal assessments of its purchase card program, will address the intent of this recommendation. Although STATS now serves as a mechanism for managing the S&T purchase card program to ensure adherence with regulations and Department and component policies and procedures, the system does not provide users with an indication that documentation such as sales slips and shipping receipts is missing. The system currently requires only the upload of purchase quotes needed for transaction approval. Because controls were already in place that allowed the CPOPC and bankcard team to



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access banking systems and monitor purchase card activity, additional effort is needed by S&T to ensure accuracy and completeness of purchase card records.

During September 2020 discussions with S&T officials, they informed us of FBD plans to conduct internal assessments of the purchase card program, which should address issues identified. We believe this effort will help S&T ensure accuracy and completeness of purchase card records and consistency with adhering to applicable laws, rules, and procedures. We consider this recommendation to be resolved and open, until S&T can show that internal assessments are being conducted.

S&T Response to Recommendation 2: Concur. S&T's FBD bankcard team will review all FY 2018 purchase card transactions and take appropriate action to resolve any transactions determined to have questionable costs. Estimated Completion Date: February 28, 2022.

OIG Analysis: S&T's actions are responsive to the intent of this recommendation. We consider this recommendation to be resolved and open until S&T provides an assessment of FY 2018 purchase card transactions and can show actions have been taken to resolve any questionable costs.

S&T Response to Recommendation 3: Concur. On February 27, 2020, S&T's FBD implemented a methodology to ensure all purchase card holders and approving officials completed purchase card training requirements in accordance with the July 27, 2017, *DHS Financial Management Policy Manual* and the *S&T Finance and Budget Division Manual*, updated on April 5, 2021. S&T's FBD also established a SharePoint site on April 16, 2020, to maintain purchase card user training requirements and serve as a document repository. This site includes cardholders' and approving officials' current purchase card training certificates; dates of training completion; and expiration dates of current training reviewed monthly by the CPOPC to identify any cardholder and/or approving official who needs to update training. S&T's FBD bankcard team is working with the S&T training division to add bankcard training to all participants' profiles in the DHS Performance and Learning Management System. The FBD bankcard team also provided bankcard training on February 12, 2021, and hosts monthly Purchase Card Working Group meetings, facilitated by the S&T purchase card CPOPC, to address purchase card risk factors and compliance requirements.

OIG Analysis: S&T's actions are responsive to the intent of this recommendation. We consider this recommendation resolved and closed.

S&T Response to Recommendation 4: Concur. S&T's FBD updates the *S&T Finance and Budget Division Manual* quarterly, or as required by any changes



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to the FMPM. The S&T CFO reports any changes and updates made to the S&T *Finance and Budget Division Manual* in the required monthly component CFO certification memorandum required to be submitted to DHS CFO headquarters. The most recent update to the S&T FBD policy was on April 5, 2021, which ensured that the FBD Manual Chapter 3: Section 3.2.2, Purchase Card Program Management fully aligned with the DHS FMPM. Additionally, S&T is an active participant in the DHS CFO Purchase Card Policy Working Group and provides input on varied purchase card policy requirements. To minimize gaps in roles and responsibilities, and to comply with FMPM and FBD purchase card policy and requirements, S&T's FBD developed STATS, which ensures the accuracy and integrity of purchase requests. In STATS, each request submitted undergoes a review and is signed by the Funds Verification Official, Approving Official, Cardholder, Receiver, and Property Custodian, in the order defined, to ensure adequate and appropriate segregation of duties.

OIG Analysis: S&T's actions are responsive to the intent of this recommendation. We consider this recommendation resolved and closed.

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We conducted this audit to determine to what extent S&T implemented internal controls to ensure that its bankcard program is managed and maintained to prevent illegal, improper, and erroneous purchases and payments, as required. We limited our scope to FY 2018 S&T Bankcard Program activity.

To achieve our audit objective, we interviewed DHS OCFO and S&T officials to gain knowledge of the system S&T used to document and track purchase card program activity. We also reviewed public laws and regulations, executive orders, DHS and S&T policies and procedures (purchase card manuals and bankcard program oversight guidance), purchase card transaction documents, and assessments conducted by DHS OCFO. We obtained an understanding of the system controls S&T used to ensure that it managed and maintained the Bankcard Program to prevent illegal, improper, and erroneous purchases and payments. We also conducted an analysis of system and reporting requirements to determine whether S&T properly documented and reported Bankcard Program processes and purchase card activity.

We assessed the data reliability of purchase card transactions and spending by comparing data requested and obtained from the DHS OCFO to information



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obtained from the Visa IntelliLink system.⁵ DHS OCFO provided S&T FY 2018 purchase card data totaling \$1,388,438. However, Visa IntelliLink transaction details for this period reflected purchase card activity totaling \$1,393,565. The \$5,127 difference in transaction totals between the data sets was due to a combination of transaction dispute resolutions, credits, and other debits. Due to the small difference in purchase card data set totals, we found S&T purchase card transaction data from Visa IntelliLink reliable to conduct sample testing.

Using a tiered sampling approach, we identified the universe of S&T purchase card transactions and further refined the sample by identifying transactions with Blocked Merchant Category Codes. We also conducted a query of Single or Split Purchases by Cardholder that yielded no results. However, we did identify Single or Split Purchases at Merchant. Overall, we identified a sampling universe of 2,645 purchase card transactions and selected 421 for testing. With the assistance of the OIG statistician, we created a statistical sample of purchase card transactions, with a 90 percent confidence level and a 5 percent error rate. We used established criteria to identify attributes to test S&T internal controls for preventing illegal, improper, and erroneous purchases and payments. We also reviewed purchase card transaction records, and other supporting documentation, to determine whether S&T adhered to established policies and procedures.

We conducted this performance audit between December 2019 and March 2021 pursuant to the *Inspector General Act of 1978, as amended*, and according to 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

The Office of Audits major contributors to this report are William Johnson, Director; Kathy Hughes, Audit Manager; LaTrina McCowin, Auditor-in-Charge; Sharon Snedeker, Auditor; Jose Torres, Program Analyst; Thomas Hamlin, Communications Analyst; and Curtis Watkins, Independent Referencer.

⁵ Visa IntelliLink is the management tool DHS components must use to track and report bankcard activity. Information system controls for purchase card transaction data are limited to Visa IntelliLink. Visa IntelliLink access is limited to Bankcard Program management (program officials); cardholders do not have access to the system.



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Appendix A
S&T Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528



Homeland Security

June 16, 2021

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General

FROM: Gail Miller on behalf of:
Glenn Podonsky
Senior Component Accountable Official
DHS Science & Technology Directorate

GAIL R MILLER Digitally signed
by GAIL R MILLER
Date: 2021.06.23
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SUBJECT: Management Response to Draft Report: “FY 2018 Audit of
Science and Technology Bankcard Program Indicates Risks”
(Project No. 19-060-AUD-S&T)

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security Science and Technology Directorate (S&T) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

We are pleased to note the OIG’s recognition that S&T implemented internal controls to ensure that its Bankcard Program is managed and maintained to prevent illegal, improper, and erroneous purchases and payments. Not only does S&T adherence to established policies and procedures reduce risk of loss and vulnerability to fraud, but S&T’s internal controls are also effective in mitigating the risk of fraud and inappropriate charge card practices. S&T remains committed to enhancing oversight of its bankcard program to prevent fraud, misuse, and abuse while supporting the component clients’ needs toward achieving its critical mission.

The draft report contained four recommendations with which S&T concurs. Attached find our detailed response to each recommendation. S&T previously submitted technical comments addressing several accuracy, contextual, and other issues under a separate cover for OIG’s consideration.

Again, thank you for the opportunity to review and comment on this draft report. S&T is committed to ensuring continual progress in implementing these recommendations and welcome the opportunity to have a follow up discussion on our progress next year. Please feel free to contact me if you have any questions.



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Attachment

Attachment: Management Response to Recommendations Contained in Project No. 19-060-AUD-S&T

OIG recommended that the S&T Chief Financial Officer (CFO):

Recommendation 1: Develop a mechanism to ensure the Component Primary Organization Program Coordinator and approving officials monitor purchase card activity in accordance with regulations and Department and component policies and procedures to ensure:

- accuracy and completeness of purchase card records;
- retention of purchase card records in a central location;
- separation of duties of key purchase transaction functions;
- consistent support of purchases with appropriate levels of approval and required signatures; and
- use of purchase cards consistent with applicable laws, rules, and procedures.

Response: Concur. Since Fiscal Year (FY) 2018, S&T has taken significant steps to enhance oversight of the purchase card program, including the implementation of the Science and Technology Analytical Tracking System (STATS), which is a web-based “solution” for tracking S&T financial and acquisition information so that Congress and other interested parties receive accurate and timely responses to questions and information requests, as appropriate. Specifically, STATS: (1) integrates data from disparate systems; (2) automates reports; (3) modernizes legacy systems; and (4) provides a single data entry point in the current system that results in increased data integrity and allows S&T to track, analyze, and report on all program and project data in accordance with regulations.

S&T’s Finance and Budget Division (FBD) began development of a STATS purchase card module in FY 2020 and it was deployed in the second quarter of FY 2021. The module serves as a “one-stop” shop for managing the S&T purchase card program and ensures that the program not only complies with all DHS and S&T policy, but also captures all purchase card approvals and documents. Among other activities, STATS:

- Provides users with the ability to submit purchase requests and tracks each request through the approval’s workflow.
- Allows users to submit, edit, approve, and/or reject a new purchase request.
- Automates routing and support for the associated purchase request approval workflow, which ensures adequate and appropriate segregation of duties.

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- Retains, all purchase-card related documentation to include an electronic, and downloadable, DHS Form 1501, Purchase Card Transaction Worksheet.

Along with STATS, the S&T Component Primary Organization Program Coordinator (CPOPC) and bankcard team also have access to Citibank and Visa systems to continually monitor, and take appropriate action on, purchase card activity. Each system provides different analyses of, and reports on, purchase card transactions and activities. Among other activities, S&T provided the OIG audit team a demonstration of the purchase card module of STATS on June 2, 2021.

S&T requests that the OIG consider this recommendation resolved and closed, as implemented.

Recommendation 2: Assess FY 2018 purchase card transactions to identify and resolve all questionable costs.

Response: Concur. S&T's FBD bankcard team will review all FY 2018 purchase card transactions to identify, review, and validate purchase card transactions, and will take appropriate action to resolve any transactions that are determined to have questionable costs. Estimated Completion Date: February 28, 2022.

Recommendation 3: Update current policy and develop an approach to ensure that cardholders and approving officials complete purchase card training in accordance with requirements.

Response: Concur. On February 27, 2020, S&T's FBD implemented a methodology to ensure all purchase card holders, and approving officials, completed purchase card training requirements in accordance with the July 27, 2017, DHS "Financial Management Policy Manual" and the S&T "Finance and Budget Division Manual," last updated on April 5, 2021. Furthermore, S&T's FBD established a SharePoint site on April 16, 2020, to maintain purchase card user training requirements and serve as a document repository. This site includes: (1) cardholders' and approving officials' current purchase card training certificates; (2) dates of training completion; and (3) expiration dates of current training, which is reviewed monthly by the CPOPC to identify any cardholder and/or approving officials who needs to update their training. Moreover, S&T's FBD bankcard team is working with the S&T training division to explore adding bankcard training to all bankcard participants' profiles in the DHS Performance and Learning Management System.

As part of the ongoing S&T CFO training series, S&T's FBD bankcard team also provided bankcard training available to the entire Directorate on February 12, 2021, and hosts monthly Purchase Card Working Group meetings, which are facilitated by the S&T



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purchase card CPOPC, to address purchase card risk factors and compliance requirements.

S&T requests that the OIG consider this recommendation resolved and closed, as implemented.

Recommendation 4: Update S&T purchase card policy and procedures to align with current DHS requirements and component-level needs to ensure policy and procedures are clear and consistent to minimize gaps in roles and responsibilities and processes critical to the operation of the Purchase Card Program.

Response: Concur. Currently, the S&T's FBD updates the S&T "Finance and Budget Division Manual" at least quarterly, or as required by any changes to the FMPM. The S&T CFO reports any changes and updates made to the S&T Finance and Budget Division Manual in the required monthly component CFO certification memorandum required to be submitted to DHS CFO headquarters. The most recent update to the S&T FBD Policy was on April 5, 2021, which ensured that the FBD Manual Chapter 3: Section 3.2.2, Purchase Card Program Management fully aligned with the DHS FMPM. Additionally, S&T is an active participant in the DHS CFO Purchase Card Policy Working Group and contributes input on varied purchase card policy requirements. The purpose of this working group is for the DHS purchase card Agency Program Coordinator (APC) to provide information to purchase card CPOPCs on upcoming training, events, and policy updates that will impact the purchase card community and to solicit program feedback from CPOPCs. The HQ APC also invites DHS purchase card stakeholders, such as Citibank and Amazon, to participate in meetings to discuss how their operations will affect purchase card activities. The group, which meets bi-weekly, last met on June 10, 2021.

To minimize gaps in roles and responsibilities, and in compliance with FMPM and FBD purchase card policy and requirements, S&T's FBD developed STATS, which ensures the accuracy and integrity of purchase requests. In STATS, each request submitted must undergo a review and receive sign-off from a: (1) Funds Verification Official; (2) Approving Official; (3) Cardholder; (4) Receiver; and (5) Property Custodian in the order defined to ensure adequate and appropriate segregation of duties.

S&T requests that the OIG consider this recommendation resolved and closed, as implemented.



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Appendix B Purchase Card Transaction Worksheet (DHS Form 1501)

DEPARTMENT OF HOMELAND SECURITY

PURCHASE CARD TRANSACTION WORKSHEET

1. Name of Cardholder:		2. Cardholder Telephone Number:		3. Cardholder Email Address:		4. Component:		5. Program/Office:	
6. Requestor Name:		7. Requestor Phone Number:		8. Date of Request:		9. Document ID Number:			
10. Ship To Address:				11. City:		12. State:		13. Zip Code:	
14. Vendor Name:				15. Vendor POC:		16. Vendor Phone Number:			
17. Vendor Address:				18. City:		19. State:		20. Zip Code:	
21. Detailed Justification for Purchase:									
22. Item #	23. Item Description	24. Stock Number	25. Quantity	26. Unit of Issue	27. Unit Price	28. Subtotals	29. Date Received		
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
Add Item		X							
ACCS 30. Accounting Data:									
31. Purchase Log ID:					32. ESTIMATED ORDER TOTAL:				
33. TO REQUIRED SOURCES for SUPPLIES				TO REQUIRED SOURCES for SERVICES			TO SPECIAL APPROVALS NEEDED		
<input type="checkbox"/> 1. Agency Inventories	<input type="checkbox"/> 5. Wholesale Supply Sources	<input type="checkbox"/> 1. ABILITY ONE		<input type="checkbox"/> 1. IT Request	<input type="checkbox"/> 5. OGC-Awards				
<input type="checkbox"/> 2. Excess Prty from other Agencies	<input type="checkbox"/> 6. GSA/FSS or DHS BPAs	<input type="checkbox"/> 2. GSA/FSS		<input type="checkbox"/> 2. Printing	<input type="checkbox"/> 6. Accountable Property				
<input type="checkbox"/> 3. UNICOR	<input type="checkbox"/> 7. Optional Use Federal Supply Schedules	<input type="checkbox"/> 3. Optional Use Federal Supply Schedules		<input type="checkbox"/> 3. Branding	<input type="checkbox"/> 7. Other				
<input type="checkbox"/> 4. Ability One	<input type="checkbox"/> 8. Commercial	<input type="checkbox"/> 4. UNICOR or Commercial		<input type="checkbox"/> 4. Legal					
34. FUNDS VERIFICATION OFFICIAL INFORMATION									
Printed Funding Official Name and Title:				Phone Number:		Date:		SIGNATURE:	
35. APPROVING OFFICIAL/ALTERNATE APPROVING OFFICIAL INFORMATION									
Printed Approving Official Name and Title:				Phone Number:		Date:		SIGNATURE:	
36. PURCHASE CARD HOLDER INFORMATION									
Card Holder Signature:					Date of Purchase:		AMOUNT PAID:		
37. ALL THE ABOVE ITEMS HAVE BEEN RECEIVED AND ACCEPTED (Third Party- Cannot be the cardholder or the approving official)									
Printed Name and Title:				Phone Number:		Date:		RECEIVER SIGNATURE:	
Printed Name and Title:				Phone Number:		Date:		ACCEPTOR SIGNATURE:	
38. PROPERTY CUSTODIAN INFORMATION (Property Accountability)									
Printed Name and Title:				Phone Number:		Date:		SIGNATURE:	
39. LOCAL USE SIGNATURES (If needed)									
Printed Name and Title:				Phone Number:		Date:		SIGNATURE:	



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Purchase Card Worksheet Guidance

<p>The following guidance should be used to complete the Purchase Card Worksheet. This worksheet provides a consolidated source for documenting and tracking purchase card requirements as established by applicable laws, regulations, and guidance. You must retain this form and all supporting documents in a central location for auditing purposes. This worksheet, along with the applicable documentation, should be submitted to the Component's Organization Program Coordinator for review during the Post Payment Audit process. Contact Joanne Skinner (Purchase Card Agency Program Coordinator) at 202-447-5213 or via email at joanne.skinner@dhs.gov for questions regarding the purchase card program.</p>	
Field	Guidance
1. Cardholder Name	Name of the actual cardholder making the purchase.
2. Cardholder Telephone Number	Phone number of the cardholder.
3. Cardholder Email Address	Email address of the cardholder.
4. Component	Component where the cardholder works.
5. Program/Office	Physical location where the cardholder works.
6. Requestor Name	Name of person requesting the supplies/services. Requestor cannot be the cardholder.
7. Requestor Phone Number	Phone number of person requesting the supplies/services.
8. Date of Request	Date the requestor submits the request.
9. Document ID Number	Unique number to identify the transaction. Determined by component.
10. Ship to Address	
11. City	Address supplies/services are to be delivered or consumed. Use the address where the goods are consumed for in-store purchases.
12. State	
13. Zip Code	
14. Vendor Name	
15. Vendor POC	
16. Vendor Phone Number	Information of the vendor that the requestor got the initial quote for supplies/services from. This may or may not be the actual vendor the items are purchased from based on the Required Sources of Supplies/Services. If the vendor changes at the time the order is placed based on mandatory sources or pricing the cardholder will annotate the vendor the items were actually purchased from in these blocks by lining through the information and writing in the actual.
17. Vendor Address	
18. City	
19. State	
20. Zip Code	
21. Detailed Justification for Purchase	Provide a 2-3 sentence narrative of why the supplies/services are needed for. Use the justification stated on the SF-182 for training request use the information.
22. Item #	N/A - Count function only.
23. Item Description	Requestor needs to give enough information in the item description to make sure the correct items are purchased. You can insert more lines if necessary or you may indicate "See Attached Sheet" if items are listed on another document.
25. Quantity	Number of items requested.
26. Unit Issue	List the unit issue stated price listing (EA, BX, PG, RO, etc.).30Unit Price List the price of the requested item. The sum of unit pricing should tie to the estimated total.
28. Subtotals	
29. Date Received	The date the item was actually received.
30. Accounting Data	Funding source for purchase. Attached a copy of the BPA if using as funding source for requested purchase. Example: A BPA is used for shipping items via FedEx.
31. Purchase Log ID Number	Purchase Log ID Number or the Document ID number, if the bank system does not generate a Purchase Log ID Number.
32. Estimated Total	Calculated field no input required if filling out in excel. If written then the unit price times the quantity.
33. Required Sources of Supplies	Use as a check list to make sure you are looking at required sources in the proper sequence.
34. Funds Verification	Signature and date of person authorized to validate funds availability. Date must be PRIOR to the purchase being made. Can be an email if official is not physically available to sign prior to the purchase.
35. Approving Official	The card holders approving official (that is set up in the bank system) signs and dates PRIOR to the purchase being made. Typed name may be prepopulated by the card holder. It can be an email from the approving official if they are not physically available to sign prior to the purchase.
36. Purchase Card Holder	Card holder signs, puts date purchase was actually made and the actual amount paid.
37. Third Party Receipt	This signature indicates the items purchased were received by the government. Normally the person that requested the items would sign indicating receipt of the requested items. If items were delivered to a remote location an email from the person receiving the items can be used. Packing lists from the shipments with "Received By:" and the persons printed name, date and signature is acceptable. This signature can not be the card holder, approving official, or alternate approving official of the card holder making the purchase.
38. Property Accountability	Required for all items that require accountability.
39. Local Use Signature	These blocks can be used to put in any locally required approvals if needed. Some offices require some internal approvals based on total cost, prior to the purchase being made. If none are required for your office, you can remove them from the PCTW.
<p>NOTES:</p> <ul style="list-style-type: none"> * Invoice or confirmation of delivery must be attached. * Special approval is required for all computer related purchases (Hardware, Software, Services). Attach Approved ITS. * OMB A-123 requires that duties of approver, purchaser, and receiver be separate. * Copy of SF-182 required for all training classes. * Shipping charges \$100 or more requires a separate invoice. * If AO gives email approval for purchase a copy of an email indicating this must be attached. 	



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Appendix C
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