



Office of Inspector General

Audit of the FLRA Charge Card  
Program and Risk Assessment  
for FY 2022

AUDIT OF THE FEDERAL  
LABOR RELATIONS  
AUTHORITY CHARGE CARD  
PROGRAM AND RISK  
ASSESSMENT FOR  
FISCAL YEAR 2022

Report No. AR-23-04  
January 2023

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

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January 20, 2023

Susan Tsui Grundmann  
Chairman

Dembo Jones, P.C. (Dembo Jones), on behalf of the Federal Labor Relations Authority (FLRA), Office of Inspector General (OIG), conducted an independent audit to determine whether internal controls are in place to ensure compliance with laws and regulations and the effectiveness of internal controls over the Government charge and travel card programs of the FLRA. We assessed the effectiveness of controls for issuing cards and ensuring proper use. We also performed a risk assessment of the FLRA charge card program for Fiscal Year (FY) 2022. This report was prepared in conjunction with the Inspector General (IG) and Dembo Jones.

## Results in Brief

During our FY 2022 purchase card and travel card audit, we conducted an entrance conference to discuss the current year charge card program audit and assess oversight and controls for the program. In addition, we received and reviewed FLRA's policies and procedures related to the travel and purchase cards systems that were in effect during FY 2022. Office of Management and Budget (OMB) Circular No. A-123, Appendix B Revised and Code of Federal Regulations Title 41, Subtitle F - Federal Travel Regulation System were reviewed for the statutory requirements and executive branch policies for travel and purchases at Government expense. We then assessed risk to be low for the programs. We then performed testing of transactions as described in this report.

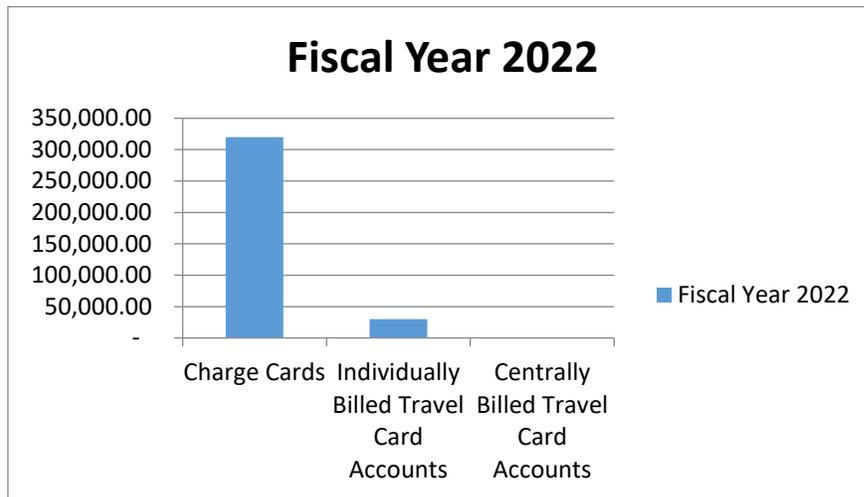
We identified one finding and made one recommendation during our FY 2022 review of the policies and procedures and testing of the charge card program and travel card program.

In a written management response, FLRA agreed with our recommendation. Based on the results our audit, we determined that an audit is warranted in 2023, to include a follow-up on our report recommendation.

## Background

The FLRA conducts business using the Government charge cards each FY. As shown in Figure 1, in FY 2022, FLRA had about \$ 350,000 in charge and travel card transactions.

**Figure 1: FLRA Charge Card Expenditures for FY 2022**



Within FLRA, the Administrative Services Division (ASD) manages the Authority’s Government purchase card program. This office is also responsible for ensuring that FLRA’s purchase card program complies with Government Charge Card Abuse Prevention Act of 2012<sup>1</sup> (Charge Card Act) and applicable OMB requirements. Those requirements include OMB Circular No. A-123, Appendix B (Revised August 27, 2019), *Improving the Management of Government Charge Card Programs*.

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

The Charge Card Act requires all executive branch agencies<sup>2</sup> to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards,<sup>3</sup> and centrally billed accounts consistent with existing OMB guidance.

<sup>1</sup> See Public Law 112-194.

<sup>2</sup> The definition of “executive agency” for purposes of the Charge Card Act is found at 41 U.S.C. 133.

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

In our FY 2022 Risk Assessment, we determined the FLRA to be at a low level risk based on a review of policies and procedures for FLRA's charge card program, discussions with ASD personnel and a review of the prior report.<sup>4</sup>

## **Audit Results**

We completed testing for the charge card and travel card programs and determined internal controls put in place for charge card program continue to operate effectively; however, we identified one finding and have made a recommendation to continue to improve the safeguards and internal controls in order to reduce the risks of illegal, improper, or erroneous purchases. Our finding, exception, and recommendation is stated below.

### **Purchases with State and Local Taxes**

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

- Of the 22 transactions reviewed during the charge card testing, 1 purchase cardholder paid state taxes for their online web services purchase. Generally, purchases made by the Federal Government are exempt from state and local taxes.

### **Recommendation:**

1. GSA SmartPay states "A Card-Not-Present Transaction is a transaction conducted without a physical card. Examples include purchase by phone, fax, or online. When placing your order, make sure you identify the purchase as an OFFICIAL GOVERNMENT PURCHASE so that it will be exempt from federal taxes and, if applicable exempt from state/ local taxes." We recommend purchase card holders implement the GSA SmartPay terms and complete and submit GSA statements, when necessary, for online purchases.

### **Management Response:**

Management agrees with the finding and recommendation. Dembo Jones and the IG have reviewed management's response and find it acceptable.

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<sup>4</sup> AR-21-04, Audit of the Federal Labor Relations Authority's Charge Card Program and Risk Assessment

Based on this finding, we recommend that we conduct a follow-up audit of FY 2023 to determine if charge card operating policies and procedures continue to operate effectively.

Dembo Jones, P.C.

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

North Bethesda, Maryland  
January 20, 2023

## **Appendix 1**

### **Objectives, Scope, and Methodology**

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The audit covered charge and travel card transactions for FY 2022. FLRA had 10 charge card holders, 18 travel approval officials, and 51 active travel card holders during the beginning of our audit work. Audit fieldwork took place in December 2022 and January 2023.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

During our FY 2022 financial statement audit, we had tested 7 of the active travel card holders' transactions. No significant issues were found during our testing of charge and travel cards during the FY 2022 financial statement audit. However, we expanded our testing as discussed below for this audit.

We obtained lists of all card holders for the charge card and travel programs. For the charge cards, we selected all 10 card holders and their Approving Official for transaction testing and requested their training certificates. For the travel cards, we requested 8 active travel card holders, of the 30 that not been tested in previous charge card audits, for their training certificates and 3 active travel card Approving Officials, of the 12 that not been tested in previous charge card audits, for their training certificates.

In addition to the 7 travel card holders' transactions tested during the financial statement audit, another 3 travel card holders were selected for additional travel card transaction testing to verify they were in accordance with the Federal Travel Regulations.

For charge card closing test, we obtained a list of employee separations that occurred throughout FY 2022. Then, we selected all 10 employees that separated in FY 2022. We requested the GSA SmartPay list of card holders as of September 30, 2022 and exit clearance checklists to verify the terminated employees no longer have access to active travel cards.

We requested the GSA SmartPay Delinquency Report for FY 2022 to review and identify any charge cards over 30 days past due. None were identified.

## Appendix 2

### Management Response

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UNITED STATES OF AMERICA  
**FEDERAL LABOR RELATIONS AUTHORITY**

January 20, 2023

#### MEMORANDUM

TO: Dana Rooney  
Inspector General

L. Pershette  
Wakefield

Digitally signed by L. Pershette  
Wakefield  
Date: 2023.01.20 11:12:50 -0500

FROM: L. Pershette Wakefield, Director Administrative Division

THROUGH: Michael Jeffries      MICHAEL  
Executive Director      JEFFRIES

Digitally signed by MICHAEL JEFFRIES  
DN: c=US, o=U.S. Government, ou=Federal Labor  
Relations Authority, cn=MICHAEL JEFFRIES,  
0.9.2342.19200300.100.1.1-54001000302761  
Date: 2023.01.20 11:19:25 -0500

SUBJECT: Management Response to Draft Audit of the Federal Labor Relations  
Authority Charge Card Program and Risk Assessment (Report No. AR-23-04)

Thank you for the opportunity to review and provide comment on the Office of Inspector General's (OIG) draft Audit of the Federal Labor Relations Authority Charge Card Program and Risk Assessment (Report No. AR-23-04). The Federal Labor Relations Authority (FLRA) appreciates the compliance review and risk assessment with our management of the Government Charge Card Programs. We are pleased it was determined that the Agency charge card and travel card programs internal controls put in place continue to operate effectively. We appreciate the efficiency benefits in testing and regular review of internal control and procedures to validate both strength and effectiveness of our implemented internal controls.

There was one finding identified during the FY 2022 review of the policies and procedures and testing of the Agency charge card program and travel card program:

*Of the 22 transactions reviewed during the charge card testing, 1 purchase cardholder paid state taxes for their online web services purchase. Generally, purchases made by the Federal Government are exempt from state and local taxes.*

Management agrees with the finding and recommendation. It merits mentioning, even though during the performance of transactions Card Holders convey, we are a government office and tax exempt, occasionally vendors will still invoice taxes. During monthly reconciliation, Card Holders are tasked with requesting a refund if tax has been applied to a purchase. The credit is generally applied the following month. This one finding, informs of an instance lacking the needed vendor follow up. It also has provided the opportunity for us to put forth the effort to recoup the \$54.45 tax assessment, and conduct engagement with Card Holders regarding the importance of our internal controls.

We would like to thank the OIG for your efforts and continued collaboration in support of FLRA programs.

## **Appendix 3**

### **Report Distribution**

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#### **Federal Labor Relations Authority**

Colleen Duffy Kiko, Member

Michael Jeffries, Executive Director

Pershette Wakefield, Director Administrative Services Division

## **Appendix 4**

### **Acronyms and Abbreviations**

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

# CONTACTING THE OFFICE OF INSPECTOR GENERAL

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

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

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

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



Office of Inspector General

Audit of the FLRA's  
Charge Card Program