

# Audit of NSF's Purchase Card Program

NATIONAL SCIENCE FOUNDATION  
OFFICE OF INSPECTOR GENERAL

May 25, 2022  
OIG 22-2-005





## AT A GLANCE

### Audit of NSF's Purchase Card Program

Report No. OIG 22-2-005

May 25, 2022

#### WHY WE DID THIS AUDIT

We performed this audit to assess the effectiveness of NSF's controls over purchase cards. The purchase card program provides NSF with a flexible and efficient means to quickly make low-dollar value and high-volume purchases of general supplies and services. In the 17-month period we reviewed, NSF spent over \$12 million using purchase cards.

#### WHAT WE FOUND

Although NSF has rules, procedures, and practices to promote accountability and discourage purchase card misuse, it could improve its purchase card guidance and strengthen internal controls in some areas. Specifically, NSF did not ensure its program guidance was up to date or comprehensive in all areas. For transactions that we tested, cardholders did not always maintain documentation for exceptions to potentially prohibited purchases, obtain written approval from the approving official prior to making a purchase, and/or retain a purchase receipt. As a result, NSF did not always have sufficient evidence to support that cardholders were making appropriate purchases. Additionally, without clear guidance and policies, NSF staff may risk using appropriated funds for unallowable purchases. NSF acknowledged these concerns and is taking steps to strengthen its purchase card program.

#### WHAT WE RECOMMEND

We made five recommendations to improve NSF's internal controls for its purchase card program, including to revise its purchase card manual and train program participants in the areas that we found noncompliance.

#### AGENCY RESPONSE

NSF agreed with all five recommendations. NSF's response is included in its entirety in Appendix A.

FOR FURTHER INFORMATION, CONTACT US AT [OIGPUBLICAFFAIRS@NSF.GOV](mailto:OIGPUBLICAFFAIRS@NSF.GOV).



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**MEMORANDUM**

**DATE:** May 25, 2022

**TO:** Teresa Grancorvitz  
Chief Financial Officer and Office Head  
Office of Budget, Finance and Award Management  
[REDACTED]

**FROM:** Mark Bell  
Assistant Inspector General  
Office of Audits

**SUBJECT:** Report No. OIG 22-2-005, *Audit of NSF's Purchase Card Program*

Attached is the final report on the subject audit. We have included NSF's response to the draft report as an appendix.

This report contains five recommendations aimed at strengthening NSF's internal controls for its purchase card program. NSF concurred with all of our recommendations. In accordance with Office of Management and Budget Circular A-50, Audit Followup, please provide a written corrective action plan to address the report recommendations. In addressing the report's recommendations, this corrective action plan should detail specific actions and associated milestone dates. Please provide the action plan within 60 calendar days.

We appreciate the courtesies and assistance NSF staff provided during the audit. If you have any questions, please contact Elizabeth Kearns, Director of Audit Execution, at 703.292.7100 or [oigpublicaffairs@nsf.gov](mailto:oigpublicaffairs@nsf.gov).

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## ABBREVIATIONS

APC	Agency Program Coordinator
DACS	Division of Acquisition and Cooperative Support
FAR	Federal Acquisition Regulations
GAO	U.S. Government Accountability Office
HRM	Division of Human Resources Management
Purchase card manual	<i>NSF’s 2015 Purchase Card Program Handbook and Policy Manual</i>
OGC	Office of General Counsel
OMB	Office of Management and Budget



## Background

The National Science Foundation is an independent federal agency created by Congress in 1950 “[t]o promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense; and for other purposes” (Pub. L. No. 81-507). With an annual budget of \$8.5 billion (FY 2021), NSF funds approximately 25 percent of all federally supported basic research conducted by America's colleges and universities. In fields such as mathematics, computer science, and the social sciences, NSF is the major source of federal funding.

NSF participates in the General Services Administration’s government-wide SmartPay purchase card program. This purchase card program provides federal agencies with a flexible and efficient means to quickly make authorized low-dollar value and high-volume purchases of general supplies or services.

The Division of Acquisition and Cooperative Support (DACs) within NSF’s Office of Budget, Finance & Award Management is primarily responsible for administering the purchase card program. At NSF, the program participants include:

- NSF’s Agency Program Coordinators (APCs), who issues cards, serves as the liaison between cardholders and the issuing bank, and provides general oversight of the program;
- Purchase cardholders, who are issued cards to buy goods and services in support of official government business; and
- Approving officials, who are responsible for ensuring that purchase cards are used properly by cardholders.

The objective of this performance audit was to assess the effectiveness of NSF’s controls over purchase cards. During the scope of our audit (March 1, 2019, to July 31, 2021), purchase cardholders completed 14,646 transactions totaling \$12,371,354. We reviewed a judgmentally selected sample of 159 transactions totaling \$376,244.

## Results of Audit

Although NSF has rules, procedures, and practices to promote accountability and discourage purchase card misuse, it could improve its purchase card guidance and strengthen internal controls in some areas. Specifically, NSF did not ensure its program guidance was up to date or comprehensive in all areas. For transactions that we tested, cardholders did not always maintain documentation for exceptions to potentially prohibited purchases, obtain written approval from the approving official prior to making a purchase, and/or retain a purchase receipt. As a result, NSF did not always have sufficient evidence to support that cardholders were making appropriate purchases. Additionally, without clear guidance and policies, NSF staff may risk using appropriated funds for unallowable purchases. NSF acknowledged these concerns and is taking steps to strengthen its purchase card program.

### **NSF Has Established Purchase Card Rules, Procedures, and Practices**

Office of Management and Budget (OMB) Circular A-123 Appendix B Revised, *A Risk Management*



*Framework for Government Charge Card Programs* (OMB A-123), states agencies must have controls to ensure:

- A cardholder reconciles transactions in accordance with agency policy ... no later than 30 days after the end of the cycle date;
- Proper supporting documentation accompanies charge card transactions; [and]
- The Approving Official approves or disapproves charge card transactions in accordance [with] agency policy, but no later than 30 days after the end of the cycle date....

We found NSF significantly improved the consistency of pre-approvals of purchases and timely review of transactions since our last audit of the purchase card program in 2014.<sup>1</sup> Specifically, NSF greatly improved its purchase card transaction accountability and compliance when it established iTRAK, NSF's core financial system. This system allows banks to automatically enter purchase card transactions and cardholders to upload supporting documentation, which approving officials then review and approve.

Additionally, a regular part of NSF's program oversight is monitoring the timely approval of transactions. NSF runs a list of not-yet-approved transactions weekly to remind cardholders of the approaching deadlines. In October 2020, NSF instituted potential account suspension as a consequence for not meeting the deadline. We found both NSF's routine identification of and follow up on unapproved transactions were effective. Of the transactions in our sample, NSF had no transactions that did not meet the 30-day deadline after NSF implemented its potential account suspensions.

OMB A-123 Appendix B also requires all purchase card program participants to take refresher training at a minimum of every 3 years. NSF exceeds the federal directive in requiring training annually. NSF disqualified personnel who did not complete training in calendar year 2020 from participating in the purchase card program.

## **NSF Purchase Card Guidance Could Be Improved**

We found NSF's purchase card program guidance was outdated, did not address all areas outlined in federal guidelines, and was unclear about prohibited purchases. Outdated and unclear guidance can create opportunities for fraud and misuse in the purchase card program.

### **NSF Did Not Routinely Update its Guidance**

NSF's 2015 *Purchase Card Program Handbook and Policy Manual* (purchase card manual) was in effect during the scope of our audit (March 1, 2019, to July 31, 2021).<sup>2</sup> NSF did not update its purchase card manual between June 2015 and October 2021, resulting in outdated guidance. For example, the 2015 manual incorrectly prohibited staff from using the purchase card to pay for training and did not reflect increases in the single purchase limit to \$10,000 at the time of our audit. This occurred, in part, because NSF did not have a schedule to ensure the APC made updates when necessary.

<sup>1</sup> NSF OIG Report No. 14-2-006, *Audit of the National Science Foundation's Purchase Card Program*, January 27, 2014

<sup>2</sup> NSF published the updated manual in October 2021.



### **NSF’s Oversight Processes and Policies Did Not Always Address Federal Guidance**

Federal Acquisition Regulation (FAR) 13.301 states agencies using the government-wide commercial purchase card must establish procedures for use and control of the card that comply with the *Treasury Financial Manual* (TFM). The TFM states federal entity policies should address certain areas, including OMB A-123 Appendix B, which NSF’s guidance did not always address. Specifically, the purchase card manual and oversight program did not include:

- Review processes for the use of data mining capabilities to identify delinquency, fraud, misuse, and trends. NSF’s current oversight program involves the APC reviewing each cardholder’s transactions once every 3 years.
- Sufficient guidance to ensure cardholders verify receipt of supplies and services.
- Sufficient guidance to evidence cardholders used required sources or justification for other sources. NSF’s purchase card manual incorporates FAR Part 8, which requires that agencies buy supplies and services from or through mandatory government sources and publications, in a priority order it lists. One directorate used a checklist, but for other directorates, NSF had no evidence cardholders used or had checked required sources.
- A prescribed process for the APC and approvers to certify their understanding of rules and regulations after completion of training.

### **NSF’s “Don’t Buy” Guidance Was Not Sufficient**

NSF’s purchase card manual includes a list of items and services NSF staff should not buy with a purchase card. The list includes:

- Advisory and assistance (consulting) services
- Legal services
- Extended warranties and maintenance service
- Recurring services over a certain threshold

In our testing of 159 judgmentally selected transactions, we found 9 instances in which NSF used a purchase card instead of a more formal contract inclusive of FAR terms and conditions to procure services. Such services that appeared to be advisory and assistance (consulting) included technical writers, facilitators at leadership meetings, and report preparers. We also found legal services, an extended warranty and maintenance service contract for microphone and audio-visual equipment, and recurring plant care services.

NSF risks violating laws and regulations if NSF staff use purchase cards to purchase items on the “Don’t Buy” list. For example:

- Both the 2015 and 2021 purchase card manuals state NSF staff should not use the purchase card for recurring services over a certain threshold (\$3,000 in the 2015 manual and \$2,500 in the 2021 manual). These services are subject to rules and regulations that can require inclusion of specific contract clauses, such as the *Service Contract Act*, which requires contractors and subcontractors to pay their employees certain wage rates.



- Both the 2015 and 2021 purchase card manuals state NSF staff cannot use purchase cards for extended warranties and prepayment of maintenance services because they are advance payments. Instead, NSF staff should make payments when services are rendered.
- NSF staff explained that legal and advisory services are on the “Don’t Buy” list because they require additional steps, such as consulting NSF’s Office of the General Counsel (OGC), and may include additional contract clauses and determinations, such as obtaining outside viewpoints, under the FAR.

Neither the purchase card manual nor the annual training provided sufficient explanation or guidance for cardholders and approvers to determine whether potential purchases fell into these categories. In addition, although the APC conducted oversight and reviewed purchases, the APC did not specifically screen for items on the “Don’t Buy” list. Without clear guidance and oversight, NSF risks violating laws and may have decreased ability to terminate services bought on a purchase card.

### **Cardholders Used Prohibited Third-Party Payment Providers**

The 2015 purchase card manual states: “Government purchases cannot be made by way of “PayPal’s®” website or similar payment services under any circumstances.” We found NSF used PayPal® for 162 transactions (totaling \$170,429) between March 1, 2019, and July 31, 2021. The APC did not conduct targeted reviews to identify cardholders that used third-party payment providers.

According to NSF and OMB A-123, the use of third-party payment processors is considered high risk. It may lead to transaction fees, result in the loss of data necessary to support transactions, and affect NSF’s ability to dispute a transaction. Such use may also result in difficulty with reporting, conducting reconciliations, and properly overseeing certain transactions.

### **NSF’s Program Participants Did Not Always Follow Purchase Card Guidance**

For transactions that we tested, cardholders did not always maintain documentation for exceptions to prohibited purchases, obtain written approval from the approving official prior to making a purchase, and/or retain a purchase receipt. Insufficient documentation left the agency without evidence that cardholders were making appropriate purchases.

### **Cardholders Did Not Maintain Documentation for Exceptions to Potentially Prohibited Purchases**

NSF’s purchase card manuals list items cardholders should not buy without specific authority or a statutory exemption. If a purchase falls under an exception, the manual requires cardholders to include additional written documentation when making the purchase.

Of the 159 transactions we tested, we found 16 that could appear unallowable and for which the cardholder did not document the specific authority or statutory exemption in NSF’s financial system (iTRAK). After discussing some of these purchases with NSF staff, we confirmed NSF had authority for these transactions through its representation or donation fund. The following are examples of transactions that were less clear without the required documentation.



### *Health and Wellness Program*

NSF's Division of Human Resource Management (HRM) offered activities to NSF staff as part of its health and wellness program after the COVID-19 pandemic began and as a means for team building. The Office of Personnel Management lists mental health and stress management as common subject areas for health education and intervention programs. Its website notes that staff should seek guidance from their General Counsel's Office and/or their policy-making office before making any determinations related to health promotion programs. However, cardholders did not consult OGC before purchasing the events. As part of his oversight role, the APC questioned one of these purchases and contacted OGC as to whether it was an acceptable use of appropriated funds. OGC opined the event was a permissible expense under 5 USC 7901, which allows an agency to establish a health service program. Additionally, NSF did not have a health service program policy to guide decision making. Without clear policies, NSF staff may risk using appropriated funds for unallowable purchases.

### *Staff Awards*

NSF cardholders purchased trophies (at a total cost of \$528) for staff involved in an innovation challenge sponsored by an association outside the federal government and personalized clocks (at a total cost of \$289) for departing members of an advisory committee. The purchase card manual only allows such purchases to be made for HRM-approved awards, and HRM staff stated these were not approved.

### *Towel Service*

NSF used appropriated funds to pay for biweekly towel service for the NSF Director's and Chief Operating Officer's private bathrooms, which include showers. NSF's Division of Administrative Services staff said because showers exist as part of the Director's and Chief Operating Officer's bathrooms, the towel service is outfitting the infrastructure, rather than a personal expense. OGC said that although the Director and Chief Operating Officer receive an incidental benefit, the agency is the primary beneficiary as the towel service allows them to work long hours and during emergencies. As a result of the audit, OGC documented NSF's authority to use appropriated funds for this service, but NSF identified and implemented a more cost-effective solution and cancelled the service.

## **Cardholders Did Not Obtain Approving Officials' Written Approval**

NSF's purchase card manual requires cardholders to obtain written approval from their Approving Official prior to making a purchase. We did not find preapproval for 28 of the 159 transactions (18 percent) we tested. Although this is an improvement from 2014 when approximately 30 percent of our judgmental sample was missing preapprovals, improvement is still needed.<sup>3</sup>

## **Cardholders Did Not Retain Receipts**

NSF's purchase card manual requires cardholders to check and maintain a receipt to ensure charges are correct, and that the vendor did not charge sales tax. We did not find a receipt for 29 of the 159 transactions (18 percent) we tested. This is a repeat finding from our 2014 audit.

<sup>3</sup> *Audit of NSF's Purchase Card Program*, Report No. 14-2-006



## Other Matters

During our audit, we identified other areas for NSF's attention that could further strengthen its purchase card program, particularly regarding changes in the work environment due to the pandemic. For example, as part of our sample, we reviewed equipment NSF sent to staff members' homes during the pandemic, such as lighting systems, cameras, and microphones. NSF barcodes and tracks all equipment over \$2,500, as well as equipment considered sensitive or highly pilferable, such as laptops and cell phones. However, NSF did not barcode or track less expensive items, such as cameras and microphones, as accountable property. As more staff work remotely, NSF should consider how it will manage such equipment and communicate to staff what items they must return to the agency when they depart. In addition, as its staff's use of remote and hybrid work environments increases, NSF should consider how it will assess the need for and monitor purchases of equipment for use at headquarters.

## Recommendations

We recommend that the Office Head, Office of Budget, Finance and Award Management, National Science Foundation:

1. Establish a schedule to routinely review and update the purchase card manual as necessary.
2. Update the purchase card manual to:
  - a) Include areas the Treasury Financial Manual and OMB A-123 state agency policies should address.
  - b) Provide additional explanations of "Don't Buy" list items and the reasons NSF does not allow staff to purchase them.
3. Include the revisions to the manual in the next iteration of annual purchase card training and emphasize areas of non-compliance, including third-party payment providers, and documenting exemptions to the "Don't Buy" list.
4. Conduct targeted oversight reviews for items and services on the "Don't Buy" list and third-party payment providers and take corrective actions when noncompliance is identified.
5. Develop a health and wellness program policy that outlines acceptable health education and intervention activities.

## OIG Evaluation of Agency Response

NSF agreed with all five of our recommendations. We have included NSF's response to this report in its entirety in Appendix A.



## Appendix A: Agency Response



National Science Foundation  
Office of Budget, Finance and  
Award Management

### MEMORANDUM

**Date:** May 18, 2022

**To:** Mark Bell, Assistant Inspector General, Office of Audits  
[REDACTED]

**From:** Teresa Grancorvitz, Chief Financial Officer and Head, Office of  
Budget, Finance, and Award Management

**Subject:** Official Draft Report, *Audit of NSF's Purchase Card Program*

The National Science Foundation (NSF) appreciates the opportunity to review and provide comments on the Office of Inspector General's (OIG) draft report. We also greatly appreciated the on-going dialog with your office during the audit, which enabled NSF to take early action related to the purchase card program. NSF considers its stewardship over federal funds a high priority, an important element of which is appropriately meeting statutory requirements for the purchase card program.

NSF agrees with all five of the OIG's recommendations. As stated in the draft report, the revision to the purchase card program handbook is well underway as are the training to the cardholders and approvers, regarding appropriate use of the purchase card. Details will be provided in NSF's corrective action plan.

On behalf of the NSF staff participating in the engagement, we want to acknowledge the OIG staff for their diligence and commitment to understanding NSF's oversight processes. We look forward to receiving the final report. If you have any concerns, Ray McCollum at [rmccollu@nsf.gov](mailto:rmccollu@nsf.gov) (703) 292-4225.

cc: Elizabeth Kerns                      Patrick Breen                      Janis Coughlin-Piester  
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## Appendix B: Objective, Scope, and Methodology

The objective of this performance audit was to assess the effectiveness of NSF's controls over purchase cards. During the scope of our audit, March 1, 2019, to July 31, 2021, 188 cardholders, with the involvement of 102 approving officials, made 14,646 purchases totaling \$12,371,354. From these transactions, we examined a judgmentally selected sample of 159 transactions totaling \$376,244 to accomplish our objective.

To perform our audit and gain an understanding of applicable internal controls, we reviewed federal guidance, including the *Treasury Financial Manual*, revised Appendix B to OMB Circular A-123, and FAR Part 8 – Required Sources of Supplies and Services. We reviewed NSF policies and procedures, including NSF's purchase card manuals and COVID-19-related guidance for staff. To confirm our understanding, we met with the APC and other agency officials and took the training class designed for program participants. We tested compliance with these regulations and policies.

We obtained and relied on computer-processed data from NSF's iTRAK and Citibank's CitiManager during our audit. We assessed reliability of computer-processed data by (1) interviewing NSF staff knowledgeable about the data, (2) reviewing information about data and the systems that produced the data, and (3) performing reconciliations and testing of various data elements. We obtained NSF data by directly accessing NSF's iTRAK and list of cardholders and approvers. We corroborated the audit data with other sources and determined that the data were sufficiently reliable for the purposes of this audit.

To assess whether NSF's internal controls were sufficient to monitor the purchases card program, we reviewed the records maintained in NSF's iTRAK system. These records consisted of supporting documentation, including approvals and receipts from merchants.

We conducted this performance audit between August 2021 and March 2022 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Kelly Stefanko, Audit Manager; Darrell Drake, Senior Auditor; Elizabeth Kearns, Director, Audit Execution; Elizabeth Argeris Lewis, Executive Officer and Communications Analyst; and Jae Kim, Independent Referencer, made key contributions to this audit.



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