

# U.S. International Trade Commission

## *Audit of Purchase Card Transactions*



**OIG-AR-18-11**

**May 2, 2018**



Office of Inspector General

*The U.S. International Trade Commission is an independent, nonpartisan, quasi-judicial federal agency that provides trade expertise to both the legislative and executive branches of government, determines the impact of imports on U.S. industries, and directs actions against certain unfair trade practices, such as patent, trademark, and copyright infringement. USITC analysts and economists investigate and publish reports on U.S. industries and the global trends that affect them. The agency also maintains and publishes the Harmonized Tariff Schedule of the United States.*

#### *Commissioners*

*Rhonda K. Schmidlein, Chairman  
David S. Johanson, Vice Chairman  
Irving A. Williamson  
Meredith M. Broadbent  
Jason E. Kearns*



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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### OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20436

May 2, 2018

IG-QQ-009

Chairman Schmidlein:

This memorandum transmits the Office of Inspector General's final report, *Audit of Purchase Card Transactions*, OIG-AR-18-11. In finalizing the report, we analyzed management's comments to our draft report and have included those comments in their entirety as Appendix A.

The audit was performed as part of a government wide project lead by the Council of Inspectors General for Integrity and Efficiency (CIGIE). The objective of the audit was to assess the risk of illegal, erroneous, or improper purchase card transactions. The audit was based on the criteria and methodologies developed by the CIGIE.

We determined the Commission's overall risk of illegal, erroneous, or improper purchase card transactions was low. During the audit, we found that the Commission could strengthen the methods used for communicating policies and procedures related to purchase cards. We issued three recommendations in this report. In the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement each recommendation.

Thank you for the courtesies extended to my staff during this audit.

Philip M. Heneghan  
Inspector General



**U.S. International Trade Commission**

**Audit Report**

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### Results of Audit

The objective of this audit was to determine the Commission's risk of illegal, erroneous, or improper purchases.

We determined that the overall risk of illegal, erroneous, or improper purchases was low.

Based on the Office of Management and Budget's definition of erroneous and improper purchases<sup>1</sup>, we identified four exceptions within the 57 high risk transactions we reviewed. Two of the exceptions were noted because a cardholder did not attempt to recover sales tax paid. The other two exceptions were due to missing documentation related to the proper approval for purchases. We did not identify any illegal transactions.

We determined the risk was low because: 1) the number of transactions that included sales tax paid was small and the associated dollars were negligible; and 2) the items purchased without proper documentation were mission related and consistent with the type of purchases normally approved by the supervisor of the cardholder.

Although the overall risk is low, during our audit we found inconsistencies between policy and procedures and areas where the Commission could improve the communication of relevant information to employees with a role in the purchase card program. The area for improvement, along with our recommendations are discussed in this report.

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<sup>1</sup>OMB Circular A-123, Appendix B, states that the "terms "erroneous purchase" and "improper purchase" have the same meaning in this Guidance". An improper purchase is any purchase that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts include overcharges and undercharges."

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### Improvement Area and Recommendations

#### Improvement Area 1:

#### *Strengthen Communication of Information*

The U.S. Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government provides the overall framework for designing, implementing, and operating an effective internal control system, including communication and documentation. GAO states that management should identify the information requirements of internal users and use the appropriate method of communication to convey information throughout the entity.

We found that management had not effectively communicated the roles and responsibilities of the charge card program to the purchase card coordinator. Management assigned an employee to this role without providing any written instructions or guidance on how to perform the day-to-day tasks. As a result, she was unaware of her role in the responsibilities and oversight activities required by OMB Circular A-123, Appendix B.

We also found that the Commission did not clearly communicate its procedures to cardholders. Our audit included a sample of six transactions by two different cardholders with charges showing as sales tax. We contacted each cardholder to obtain information regarding any attempt to recover the sales tax. One purchase cardholder was unaware sales tax could be recovered, and the other cardholder thought sales tax could only be recovered if items were bought in the District of Columbia.

During our review of the Commission's *Charge Card Management Plan*, we found it did not meet the content requirements specified in OMB Circular A-123, Appendix B. The circular provides a list of elements that must be included, one of which addresses the departure of employees that had been issued government charge cards. The Commission's *Charge Card Management Plan* did not include information for departing purchase cardholders.

We identified policies for departing purchase cardholders in two other documents issued by the Office of the Chief Financial Officer. However, each document provided different information. The first document instructed the approving officials to witness the destruction of the purchase card, and report back to the purchase card coordinator. The other document required cardholders to return the card to the purchase card coordinator upon departure.

We reviewed three different policy documents issued by the Office of the Chief Financial Officer. We found that majority of information in all three documents was repetitive, with only



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slight variations in the content. With multiple documents, containing the same policy information it is difficult to maintain and increases the risk of having conflicting policy.

Recommendation 1: Develop standard operating procedures for managing the purchase card program.

Recommendation 2: Update internal charge card policies and procedures to remove conflicting guidance.

Recommendation 3: Update the *Charge Card Management Plan* to meet the requirements of OMB Circular A-123, Appendix B.

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## Management Comments and Our Analysis

On April 23, 2018, Chairman Schmidlein provided management comments on the draft report. She agreed with the findings and will develop management decisions that address the recommendations from the report.

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## Objective, Scope, and Methodology

**Objective:** To determine whether the agency or department has made purchase card transactions that are potentially illegal, improper, or erroneous.

**Scope:**

- FY 2017 1<sup>st</sup> and 2<sup>nd</sup> Quarter purchase card and convenience check transactions, total of 322 transactions.
- 322 does not include transaction originating from our office or payments with the vendor name “Treasury”.
- From the 322 total transactions, the data mining tool identified 59 potential “high-risk” transactions for developing a sample; we tested all 59 “high-risk” transactions.

**Methodology:**

- Reviewed OMB Circular A-123, Appendix B.
- Reviewed GSA SmartPay guidelines.
- Reviewed USITC policies and procedures.
- Obtained USITC 1<sup>st</sup> and 2<sup>nd</sup> quarter purchase card transactions from Citibank

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- Performed data mining testing of USITC transactions with CIGIE developed tools to identify “high-risk” transactions in the nine specified areas.
- Identified the sample based on the data mining results.
- Obtained necessary information to make a determination for each transaction in the sample, based on the assessment area under review.
- Analyzed results.
- Provided results.

**Sampling Methodology:** The Commission’s FY 2017 1<sup>st</sup> and 2<sup>nd</sup> quarter transactions were provided to the National Labor Relations Board Office of Inspector General. They ran our data through a data mining analytical tool developed by the Council of the Inspectors General on Integrity and Efficiency. The tool had pre-defined algorithms and weights to identify high-risk transactions from the data. The tool identified 57 transactions as high-risk. We audited 100% of the 57 high risk transactions. The transactions were not mutually exclusive, because they may have applied to more than one of the nine algorithms.

We determined the computer-processed data used for this audit was sufficiently reliable for the intended use. Further, any data limitations were minor in the context of this assignment, and the use of data should not lead to an incorrect or unintentional conclusion.

### **GAGAS Statement:**

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

The principal entity audited was the Office of the Chief Financial Officer. The field work for this audit was conducted between May and August 2017.

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### APPENDIX A: Management Comments



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

C086-QQ-004

April 23, 2018

#### MEMORANDUM

TO: Philip M. Heneghan, Inspector General

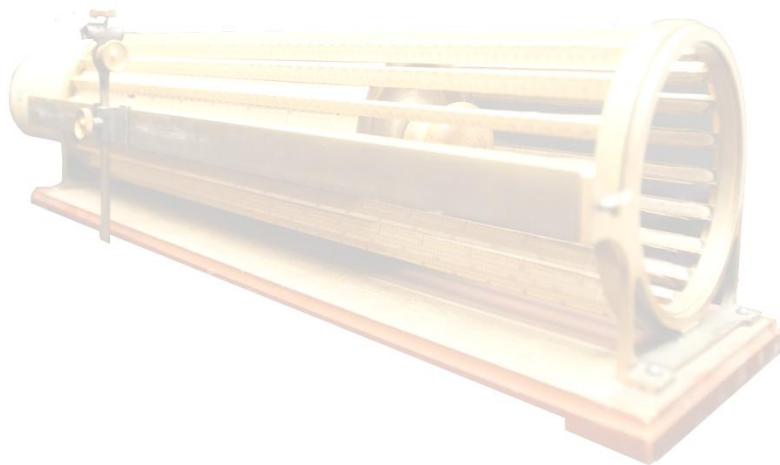
FROM: Rhonda K. Schmidlein, Chairman *PKS*

SUBJECT: Response to Draft Report – Audit of Purchase Card Transactions

Thank you for the opportunity to review and provide comments to the draft report -- Audit of Purchase Card transactions.

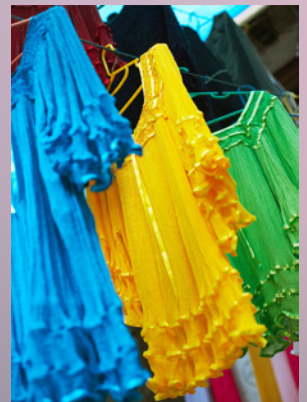
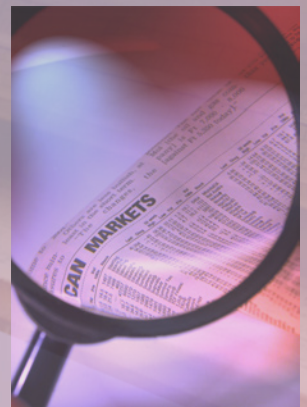
We appreciate the determination that the overall risk of illegal, erroneous, or improper purchases was low. The Commission will develop management decisions to address the three recommendations in the report.





*“Thacher’s Calculating Instrument” developed by Edwin Thacher in the late 1870s. It is a cylindrical, rotating slide rule able to quickly perform complex mathematical calculations involving roots and powers quickly. The instrument was used by architects, engineers, and actuaries as a measuring device.*

# To Promote and Preserve the Efficiency, Effectiveness, and Integrity of the U.S. International Trade Commission



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