March 29, 2019

TO:  David S. Ferriero
    Archivist of the United States

FROM: James Springs
    Inspector General

SUBJECT: *Audit of NARA's Purchase Card Program*
     OIG Audit Report No. 19-AUD-07

This memorandum transmits the results of our final report entitled, *Audit of NARA's Purchase Card Program*. We have incorporated the formal comments provided by your office.

The report contains five recommendations, which are intended to strengthen controls over NARA's Purchase Card Program. Your office concurred with all of the recommendations. Based on your March 26, 2019 response to the final draft report, we consider all the recommendations resolved and open. Once your office has fully implemented the recommendations, please submit evidence of completion of agreed upon corrective actions so that recommendations may be closed.

As with all OIG products, we determine what information is publicly posted on our website from the attached report. Consistent with our responsibility under the *Inspector General Act, as amended*, we may provide copies of our report to congressional committees with oversight responsibility over the National Archives and Records Administration.

We appreciate the cooperation and assistance NARA extended to us during the audit. Please call me or Jewel Butler, Assistant Inspector General for Audits, with any questions.


Attachment

cc:  Debra Wall, Deputy Archivist of the United States
   William Bosanko, Chief Operating Officer
   Micah Cheatham, Chief of Management and Administration
   Colleen Murphy, Chief Financial Officer
   LaVerne Fields, Chief Acquisition Officer
   Kimm Richards, Accountability
   United States house Committee on Oversight and Government Reform
   Senate Homeland Security and Governmental Affairs Committee
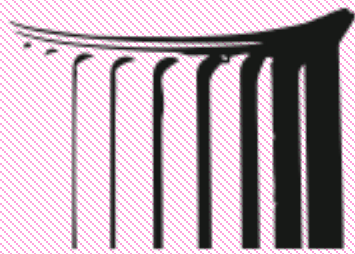
Audit of NARA's Purchase Card Program

March 29, 2019

OIG Audit Report No. 19-AUD-07

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# Executive Summary

*Audit of NARA's Purchase Card Program*

## Why Did We Conduct This Audit?

In fiscal year (FY) 2017, a government-wide purchase card review was initiated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), Information Technology Committee, to analyze and review Government purchase card data to determine the risks associated with purchase card transactions. Part of our audit was performed in conjunction with this effort.

During FY 2017, the National Archives and Records Administration (NARA) made 13,899 purchase card transactions totaling $5.9 million. Given the amount of taxpayer funds involved in these programs, effective internal controls are essential in mitigating risks of improper use.

Our objective was to determine whether internal controls in NARA's Purchase Card Program were adequately designed and appropriately implemented to effectively deter fraud, waste, or abuse; had effective oversight and management; and was operating in compliance with applicable laws, regulations, and agency policies.

This report includes five recommendations intended to strengthen controls over NARA's Purchase Card Program.

## What Did We Find?

Although no instances of purchase card transactions appeared to be illegal or fraudulent for the transactions included in our review, we determined NARA's internal controls over purchase card use needs improvement.

We found instances of unsupported verification of statements, sales taxes improperly paid, split purchases, and transactions not properly approved. These conditions existed due to inadequate oversight at both the agency and program office levels. This was also due in part to cardholders and approving officials (AO) not adequately following NARA guidance, laws, and regulations. Without effective oversight controls over purchase card use, NARA risks erroneous charges that may lead to inaccurate financial reporting.

We also found cardholders and AOs did not always obtain timely refresher training as required. The cardholders and AOs did not take their responsibilities to get refresher training every three years seriously and relied on Acquisitions to remind them of the required training. Without timely training, there is a risk cardholders and AOs are not up-to-date on current government card policies and changes to policies thereby increasing the risk of improper payments, misuse of the purchase card, and failure to comply with requirements of the Purchase Card Program.

We also found NARA lacks effective management and internal controls over its Purchase Card Program. Specifically, purchase card policies and procedures are not up to date, policies and Internal Control Plans (ICP) are inconsistent and unclear, and monitoring of internal controls are ineffective. Lack of current and adequately documented procedures may result in inconsistent process operations, key person dependencies, overall process inefficiencies, and the loss of institutional knowledge about NARA's Purchase Card Program. Without effective management and monitoring of controls, managers are less likely to identify and correct internal control problems on a timely basis.

# Background

The General Services Administration's SmartPay Program was established to streamline transaction processing, increase accountability, and provide a more efficient and effective means to monitor transactions and identify fraud, waste, and abuse. The purchase card program can be used for simplified acquisitions, including micro-purchases, as well as to place orders and make payments on contract activities. Agencies are also responsible for establishing policies and procedures and maintaining internal controls that reduce the risk of fraud, waste, and error in their government charge card program.

The *Government Charge Card Abuse Prevention Act of 2012* (Act), reinforces efforts to prevent waste, fraud, and abuse in Government-wide charge card programs. The Act addresses agencies' management of their Government purchase card program by requiring Inspectors General of executive agencies to ". . . perform analysis or audits as necessary, of purchase card transactions designed to identify . . . potentially illegal, improper, or erroneous use of purchase cards."

The Office of the Chief Financial Officer (X), Accounting Policy and Operations (XA) administers the NARA Purchase Card Program. The XA Accounting Officer is the Agency/ Organization Program Coordinator (A/OPC). The A/OPC along with the Senior Procurement Executive, who is also the Chief Acquisition Officer (Z) oversee the government purchase card program for NARA and establishes guidelines. The Senior Procurement Executive appoints cardholders and AO authority.

NARA uses purchase cards issued by CitiBank. CitiDirect, CitiBank's web-based system, allows NARA users to track, reconcile, and approve purchases made with the purchase card. The NARA CitiBank Liaison sets up accounts, serves as liaison between the cardholder and the purchase card contractor, provides on-going advice, audits purchase card accounts as required, and keeps necessary account information current. AOs are responsible for approving purchases and monitoring the purchase card account activity of their Government Purchase Cardholders. AOs must verify all cardholder transactions are legitimate government requirements, ensure items purchased were actually received, ensure cardholders reconcile all transactions and maintain records to provide an audit trail for all purchases. Cardholders must use the card in compliance with procurement regulations; safeguard the card account number; obtain approval from the AO prior to purchase; inspect and verify order accuracy, quality, price, and receipt of items; review and reconcile electronic Citibank statements; record charges against proper accounting codes; ensure that accountable property and sensitive property is entered into the NARA accountable property system; and ensure that an audit trail is maintained.

NARA Management is responsible for evaluating the effectiveness of risk management controls and training programs of its purchase card management plan. Cardholders may use the card to purchase goods and services at or below the micro-purchase threshold, currently $3,500. During FY 2017, NARA's 178 purchase cardholders processed 13,899 transactions totaling $5.9 million dollars.

**CIGIE Cross-Agency Purchase Card Project**

The NARA Office of Inspector General (OIG) participated in the Council of the Inspectors General on Integrity and Efficiency (CIGIE) cross-agency Purchase Card Project. The objective of the CIGIE Project was to analyze and review Government purchase card data to determine the risks associated with purchase card transactions. The Department of Agriculture (USDA) OIG's Office of Data Sciences, the United States Postal Service OIG, and the Department of Education OIG created algorithms to identify high-risk purchase card transactions and, in conjunction with the CIGIE Information Technology (IT) Committee, provided analytical and statistical tools to support the OIGs' testing of these types of transactions at their respective agencies.

# Objectives, Scope, Methodology

The objectives of this audit were to determine whether internal controls in NARA's Purchase Card Program were adequately designed and appropriately implemented to effectively deter fraud, waste, or abuse; had effective oversight and management; and was operating in compliance with applicable laws, regulations, and agency policies.

To accomplish our audit, we conducted the following.

- Reviewed applicable laws, regulations, policies, procedures, and other guidance related to NARA's Purchase Card Program, including Federal Acquisition Regulation Part 13.3; GSA's Blueprint for Success: A Guide for Purchase Card Oversight; Office of Management and Budget Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs; Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194); NARA's Purchase Card Management Plan; Supplement to NARA 501, NARA Government-Wide Commercial Purchase Card and Micro-Purchase Guide.

- Interviewed the Chief Financial Officer (X), Accounting Policy and Operations (XA) staff, the Agency/Organization Program Coordinator (A/OPC), the Senior Procurement Executive (Office of the Chief Acquisition Officer - Acquisitions), the NARA CitiBank Liaison, Acquisition Staff (Z), cardholders, and an AO to gain an understanding of controls in place over the purchase card process, including the cardholder and AO appointment process, training records, and the AO statement approval process.

- Reviewed XA and Z ICPs and supporting documentation.

- Reviewed purchase card transactions for those cardholders that have separated or transferred offices to ensure transactions did not occur after the separation date.

- Reviewed Acquisitions analysis of purchase card activity and XA's review of AOs verification of cardholder statements.

- Reviewed cardholder and AO training and application files. We judgmentally selected a sample size of 12 cardholders out of 185 based on certain cardholders with purchases over $135,000 or more than 350 transactions, and ensured those selected were from various program offices. We judgmentally selected a sample size of 10 AOs out of 102 based on training completed or due between January 1, 2016 through April 30, 2017, and ensured those selected were from various program offices.

We gained an understanding of management procedures and controls to the extent necessary to achieve our audit objective. We also reviewed two prior year issues during our audit work. See Appendix B.

**CIGIE Cross-Agency Purchase Card Project**

We obtained program universe data on the total number of purchase card transactions and dollar value directly from CitiDirect. Using tools provided by the CIGIE IT Committee, we sampled high-risk transactions for the first two quarters of FY 2017 purchase card transactions to verify whether selected transactions are potentially illegal, improper, or erroneous. We used a random number worksheet to assign a specific random number to each transaction in the high-risk population. The sample size is based on a 95 percent confidence level, assuming a very low error rate in each quarter (stratum) below 10 percent and an acceptable upper error rate of 20 percent in each quarter combined.

**Table No. 1: NARA Purchase Card Transactions**

|  | Quarter 1 | Quarter 2 | Total |
| --- | --- | --- | --- |
| Total Universe of NARA Purchase Card Transactions | 4,198 | 4,336 | 8,534 |
| Total Universe of High-Risk Transactions | 749 | 736 | 1,485 |
| High-Risk Population | 187 | 184 | 371 |
| Sample number | 23 | 23 | 46 |

The CIGIE IT Committee provided the statistical selection of transactions methodology. However, we did not project the results to the intended population. The universe for each stratum was processed through IDEA[1] to produce high-risk purchase card transactions output files using the following nine weighted algorithms (See Appendix B for descriptions of each algorithm):

I. Prohibited Merchant Category Codes (MCCs)

II. Questionable MCCs

III. Cardholder Exceeded Single Purchase Limit

IV. Split Transaction

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[1] CaseWare Analytics' data analysis software

V. Sales Tax Transaction

VI. Holiday Transaction

VII. Weekend Transaction

VIII. Unauthorized Third-Party Merchants

IX. Closed Account Activity

We reviewed invoices, receipts, requisitions, receiving, and approval documentation supporting the purchase card transactions in our sample. We did not identify any issues related to the algorithms for Prohibited MCCs, Questionable MCCs, Cardholder Exceeded Single Purchase Limit, Holiday Transaction, Weekend Transaction, Unauthorized Third-Party Merchants and Closed Account Activity. For instance, we did not find issues with weekend or holiday transactions as NARA has routine work on weekends or holidays. Additionally, cardholders may make a purchase during the weekday, but are billed when an item ships.

We reviewed cardholder account information and the data in CitiDirect for the purchase card transactions in our sample to determine whether the information matched the documentation the cardholder provided to their agency.

In conducting our audit, we relied on varying degrees on computer-generated data. To assess the reliability of computer-processed data obtained from CitiDirect, we looked for obvious errors in accuracy and completeness. We determined the data was sufficiently reliable for the purpose of achieving our audit objective. We did not evaluate the effectiveness of the general application controls over computer-processed performance data.

This performance audit was conducted in accordance with generally accepted government auditing standards between October 2017 and December 2018 at Archives II in College Park, MD. The generally accepted government auditing standards require 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 audit was conducted by Carol Seubert, Senior Financial Auditor.

# Audit Results

## Finding 1.   Controls Over Purchase Card Transactions Need Improvement

Although no instances of purchase card transactions appeared to be illegal or fraudulent for the transactions included in our review, we determined NARA's internal controls over purchase card use needs improvement.  We found instances of unsupported verification of statements, sales taxes improperly paid, split purchases, and transactions not properly approved.  These conditions existed due to inadequate oversight at both the agency and program office levels.  This was also due in part to cardholders and AOs not adequately following NARA guidance, laws and regulations.  Without effective oversight controls over purchase card use, NARA risks erroneous charges that may lead to inaccurate financial reporting.

*Cardholder's monthly CitiBank statements were not supported with AOs verification*

In three of the 46 transactions reviewed, we found the AO did not verify the cardholder's monthly CitiBank statement to ensure purchases were for official use, purchases were made in accordance with regulations, documentation was reviewed to ensure items were received, and funds were appropriately allocated between accounting codes.  NARA purchase card transactions are centrally billed and paid even though AOs did not always verify and approve transactions within the allotted time.  Additionally, AOs face minimal consequences for not approving transactions.  Although NARA provides guidance to AOs regarding monthly review of statements in the CitiBank system, NARA does not adequately monitor these controls.

*Cardholders improperly paid sales tax*

In two of the 46 transactions reviewed, we found cardholders paid taxes on items such as office supplies and electronics.  In another instance where taxes were paid, the cardholder contacted the merchant who provided an explanation that the sales tax on the CitiBank Statement was not sales tax but rather part of a regulatory charge on the invoice.

Cardholders and AOs are not properly reviewing and monitoring transactions for sales tax paid and not recovered.  AOs approved cardholders' transactions including sales tax.  NARA does not have a policy requiring cardholders to document reasons for paying or attempting to recover sales tax.  Increased reliance is placed on the review by AOs to identify inappropriately paid sales tax.  Failure to recapture tax payments increases the cost of the NARA's charge card purchases.  Although minimal, the monies represented by these taxes are a source of funds to the Federal agency issuing the card.

*Cardholders improperly made a split purchase*

We found two instances of split purchases. Although the individual costs were below the micro-purchase threshold, when combined the costs exceeded the micro-purchase threshold. In the first instance, two transactions amounting to $4,140.24 were split and therefore avoided exceeding the spending threshold. In the second instance, there was a recurring purchase for internet services. The monthly fee was $339.75, over 12 months' amounts to $ 4,077, over the micro-purchase threshold of $3,500. This cardholder paid over $4,950.85 to this one vendor in FY 2017.

We spoke with NARA cardholders making the purchases. One cardholder stated this occurred because a verbal request from a supervisor was made that matched a previous purchase request. The cardholder did not prepare a purchase request for the verbal request and both items were purchased the same day. NARA identified the transactions as a split purchase, requested clarification, and the cardholder took another micro-purchase class. The other cardholder stated these recurring purchases were in place before the cardholder got there, and they continued with the needed services.

The primary objective in using the purchase card is to reduce procurement and related payment paperwork for the purchase of supplies and services not exceeding the Micro-Purchase Threshold, in addition to reducing administrative cost, avoid unnecessary burdens for ordering activities and contractors, and promote efficiency. The use of the purchase card for recurring purchases should not be used to avoid competition and may lead to an unauthorized commitment of funds if not made by a contracting officer with the proper authority using proper procurement agreements. By allowing these limits to be circumvented, NARA had less control over the obligation and expenditure of its resources. In addition, split purchases increase the risk goods or services can be procured without competition.

*Cardholders lacked requisition requests*

We found two transactions, totaling $2,597.99, lacked a written purchase request. In one instance, a cardholder signed the purchase request as the AO without written authorization from the AO. In another instance, a cardholder did not prepare a purchase request. Without adequate separation of duties, there is increased risks that cardholders may use their government purchase card to purchase personal, restricted or inappropriate items.

According to NARA's Purchase Card Management Plan, AOs are responsible for approving purchases and monitoring the purchase card account activity of their Government Purchase Cardholders. Specifically, AOs must verify that all cardholder transactions are legitimate government requirements, ensure items purchased were actually received, ensure FAR and NARA regulations are followed, and ensure cardholders reconcile all transactions and maintain records to provide an audit trail for all purchases. Monthly, each AO must review and approve the on-line CitiBank statement for each of their subordinate cardholders. The CitiBank statement

lists all charges incurred by the cardholder. The AO must verify the purchases were for official use, were appropriate purchases made in accordance with regulations, and must review documentation to ensure items were received in order to approve the "Statement of Account." The AO must also verify the funds are appropriately allocated between accounting codes.

NARA 501 – Supplement 1 states, "The Federal Government is not liable to pay taxes to state and local governments for goods and services purchased on an official Government purchase card." NARA guidance states to inform the merchant that the purchase is for "official U.S. Government business" and is not subject to state or local sales tax. The guidance instructs employees to "Pay sales tax if the merchant refuses to waive it and no other vendor is available." NARA guidance also addresses split purchases and documentation requirements. It states split purchasing is the acquisition of a requirement by dividing it into smaller components thereby avoiding the established FAR and NARA procurement procedures for the elevated dollar thresholds. For purchase card purposes, split purchasing can lead to a cardholder making an unauthorized commitment if the total value of the requirement exceeds the micro purchase threshold. It also states the cardholder must maintain the documentation authorizing the purchase. Pre-approval may be authorized on a NA Form 5007, *Requisition for Equipment, Supplies, or Services,* by e-mail, or other written documentation. AOs must review and approve on-line CitiBank Statements monthly for each assigned cardholder.

## Recommendation

We recommend the Chief Financial Officer:

> **Recommendation 1:** Strengthen internal and management controls over purchase cards by:
>
> a. Enhancing instructions to approving officials to look for sales tax paid by a cardholder, recurring purchases, and split purchases.
>
> b. Enhancing the monitoring of the approving officials timely verification of purchase card transactions. (See Appendix B)
>
> c. Documenting the monitoring of purchase card transactions to ensure cardholders' recover sales tax paid and/or make a good-faith attempt to recover sales tax paid.
>
> d. Documenting the monitoring of purchase card transactions to ensure split purchases are not occurring.
>
> e. Monitoring purchase card transactions to ensure separation of duties from authorizing the purchases and making purchases.

Management Response

NARA concurs with this recommendation. The Chief Financial Officer will update the Purchase Management Plan and the Chief Acquisition Officer will update the NARA Government–wide Commercial Purchase Card and Micro-Purchase Guide to include instructions and strengthen internal controls to:

      a.   Identify sales tax charged, recurring purchases, and split purchases.

      b.   Ensure Approving Officials' conduct monthly reviews and approvals of their subordinates' purchase card transactions, and follow-up with the Approving Officials when necessary.

      c.   Conduct quarterly reviews of cardholder transactions to detect if sales taxes were paid.

      d.   Conduct an annual spend analysis on cardholder activity to identify for split purchases.

      e.   Ensure that an individual may not authorize and make purchases without the review and written approval of his/her immediate supervisor or above.

*Target Completion Date*: November 30, 2019

OIG Analysis

We consider NARA's proposed actions responsive to our report recommendations. All recommendations will remain open and resolved, pending completion of the corrective actions identified above.

## Finding 2.   Policy and Internal Control Plans Need To Be Updated

NARA lacks effective management and internal controls over its purchase card program. Specifically, its purchase card policies and procedures are not up to date and XA and Z's Internal Control Plans (ICP) monitoring of internal controls are ineffective.  Lack of current and adequately documented procedures may result in inconsistent process operations, key person dependencies, overall process inefficiencies, and the loss of institutional knowledge about NARA's Purchase Card Program.  Without effective management and monitoring of controls, managers are less likely to identify and correct internal control problems on a timely basis.

*NARA's Purchase Card Policies*

NARA 501-Supplement 1, NARA Government-Wide Commercial Purchase Card and Micro-Purchase Guide, includes outdated micro-purchase thresholds, purchase card management official's titles, NARA and Bureau of Fiscal Services Org codes, and Z processes.  NARA 501 – Supplement 1 does not describe Z's annual spend analysis that includes reviewing a report of previous fiscal year purchases to look for split purchases, recurring purchases, inappropriate purchases, and purchase cardholder expenditures versus authorized limits as described in NARA's Purchase Card Management Plan.

NARA's Purchase Card Management Plan also includes outdated procedures.  For example, it states "Accounting will work with CitiBank to identify sales taxes paid annually by individual cardholders".  Accounting will notify the cardholders so they can work with the vendors/states to recover taxes paid.'   However, this information is outdated and needs to be revised to reflect NARA's current procedures.  The CFO indicated XA reviews taxes paid as part of XA's quarterly audits.   If taxes are detected, XA will work with the purchase cardholder to collect the taxes paid.  NARA's Purchase Card Management Plan also states Z conducts random sample reviews of cardholders' transactions and supporting document but Z stated this was part of their spend analysis; there is no random sample.

 NARA also has not revised its NARA 501- Supplement 1 since April 2011 because according to management, policies and procedures are updated when there are significant changes.

The Government Accountability Office's, S*tandards for Internal Control in the Federal Government* emphasizes the importance for management to periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. Changes may occur in personnel, operational processes, or information technology. Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risk in the internal control system.

Lack of current documented procedures may result in inconsistent process operations, key person dependencies, overall process inefficiencies, and the loss of institutional knowledge about NARA's Purchase Card Program.

*Internal Control Plans*

XA and Z's monitoring plans do not identify controls being monitored and the methods used to monitor controls associated with the purchase card. XA and Z ICP reports did not contain sufficient detail for the OIG to determine how controls were monitored during FY 2017. XA and Z ICP reports were insufficient for any NARA management or ICP official to rely upon in determining the function's internal control effectiveness. Although NARA has a documented Monitoring Plan related to purchase card activities, the Monitoring Results do not completely address XA and Z's Monitoring Plan.

Based on OIG Audit Report No. 17-AUD-03, Audit of NARA's Compliance with the Federal Managers' Financial Integrity Act for FY 15, "NARA did not fully develop and maintain effective internal control over its programs and activities, did not sufficiently assess all risks, and did not adhere to all requirements of its own ICP. This condition occurred because NARA lacks complete commitment to internal controls among its managers; full awareness of internal controls and risks across the agency; and resources to develop and maintain an effective ICP…"

NARA 161, Appendix A, *FY 2018 Internal Control Reporting,* states "For all functions, you must report on the controls you have in place to monitor the function. The methods you use to monitor controls associated with your function should be identified in the monitoring plan field of the ICP. This should be as complete and comprehensive a representation of monitoring activities performed for the function as possible…Monitoring results should be summarized by quarter, with results and analysis of results maintained for each quarter (e.g. do not overwrite the prior quarters monitoring results). Thus, monitoring results would be reflected as Q1, Q2, Q3, and Q4/End of Year. Results should include summarization of monitoring results (whether the controls were adequate and working as intended to reduce risk and reasonably ensure success), findings, corrective actions, and a reference to where documentation supporting monitoring can be obtained (e.g. file plan number or drive path if full results maintained electronically)." Further, NARA 161, Appendix B states "for all functions, including those that are being tested, prepare, review, and revise monitoring plans that will serve as the basis for evaluating the sufficiency of controls associated with the function…The monitoring plan should state how the function owner plans to gather and evaluate evidence about the controls and operation of the functions as a part of normal operations. In other words, monitoring plans should be comprised of the activities the function owner undertakes to manage and evaluate the function, as a normal course of business (e.g., recurring analysis of key performance or risk indicators, regular reconciliation reviews, regular analysis of operating reports or metrics that would identify anomalies that might indicate control failure, regular quality assurance checks)."

We found XA's 1<sup>st</sup> quarter FY 2017 Internal Control Plan does not describe which controls should be monitored or the method by which monitoring occurs.  For example, if split purchases or sales tax paid was identified, the control that failed should be indicated.  We reviewed XA's 1<sup>st</sup> quarter of FY 2017 sample and identified several instances of documentation reviewed with no proper purchase request or invoice, and included transactions with sales tax paid with no support the tax paid was recovered.

In addition, XA's monitoring plan states XA "will monitor [cardholder] monthly statements that were not approved in CitiDirect".  XA tracks cardholder statements that automatically close (autoclose) at month end that were not approved electronically by the AO in CitiDirect.  XA provides the autoclose information to its shared service provider, Bureau of Fiscal Services (BFS).  The BFS emails the cardholders and AOs citing the months not verified online, describing their AO duties, and requesting verification of the of the purchase card transactions on the statements that were not verified in CitiDirect.  The FY 2017 ICP results state only that XA contacted cardholders and AOs regarding statement approvals.  The results do not state how many were contacted, how many responded by manually verifying the statements and how many did not respond.  We reviewed FY 2017 autoclose data from XA to determine if AOs responded to BFS' request. There were 140 instances where AOs did not verify cardholder's statements online.  BFS provided evidence of 51 of the 140 instances of AOs not responding to BFS' email requesting an email approval of the cardholder's statements.  The transactions of the cardholder statements for those 51 not reviewed and verified by their AO amounted to $121,000.62.

Z has a separate Internal Control Monitoring Plan.   Z's 4<sup>th</sup> quarter FY 2017 monitoring plan states Z performs a 'comprehensive review of purchase activity.'  Z's monitoring plan does not clearly describe what is included in Z's 'comprehensive review of purchase activity.'  There is no methodology established for the reviews.

Although Z indicated in the Monitoring Results that they monitored the 4<sup>th</sup> quarter for 'split purchase, vendor rotation, and cardholders exceeding their purchasing limits' whereby they identified one split purchase, Z did not describe monitoring results related to vendor rotation, or cardholders exceeding their purchasing limits.  Z indicated the ICP Monitoring Plan is supported by Z's spend analysis.  Z provided a copy of their FY 2017 spend analysis but said it was incomplete, yet Z reported on 4<sup>th</sup> quarter results in the ICP.   In addition, Z's FY 2017 4<sup>th</sup> quarter ICP Monitoring Results related to cardholder and AO applications and training states "what" they reviewed, but does not provided results of their review.

Without a consistent process in place and supporting documentation, NARA cannot provide reasonable assurance its program activities are operating efficiently and effectively; or that reliable and timely information is obtained, maintained, recorded, reported and used for decision-making.

During the course of the audit, and as of August 7, 2018, Z is requiring NARA purchase cardholders to set up an Amazon Business Account when using the NARA purchase card that will allow them to analyze Amazon transactions. As administrators of the Amazon Business Accounts, Z will be able to invite NARA cardholders to set up the Amazon Business Account, monitor what is purchased by cardholders and will be able to prevent the purchase of certain items.

## Recommendations

We recommend the Chief Financial Officer:

**Recommendation 2:** Ensure Accounting Policy and Operations and Acquisitions purchase card policies are updated to reflect current practices.

Management Response

NARA concurs with this recommendation. The CFO will update the Purchase Card Management Plan and the CAO will update the NARA Government-wide Commercial Purchase Card and Micro-Purchase Guide to ensure purchase card policies reflect current practices.

*Target Completion Date*: November 30, 2019

OIG Analysis

We consider NARA's proposed actions responsive to our report recommendations. All recommendations will remain open and resolved, pending completion of the corrective actions identified above.

**Recommendation 3:** Ensure Accounting Policy and Operations and Acquisitions update the controls and the methods used to monitor controls associated with the purchase card program.

Management Response

NARA concurs with this recommendation. The CFO and the CAO will review and update their internal control plans associated with the purchase card program.

*Target Completion Date*: November 30, 2019

OIG Analysis

We consider NARA's proposed actions responsive to our report recommendations. All recommendations will remain open and resolved, pending completion of the corrective actions identified above.

## Finding 3.   Refresher Training Not Obtained in a Timely Manner

Cardholder's and AO's did not always obtain timely refresher training as required.  Based on our review of NARA training records, we found:

- only 12 selected cardholders out of 185 received refresher training every three years, except in one instance a cardholder received their training 11 days late.  One cardholder cancelled the card after they were notified their purchase card training was past due.  The purchase card was rescinded 49 days after the refresher training was due.

- only 10 selected AOs out of 44 received refresher training every three years, and of those 10 there were four instances where refresher training was received 35-78 days late.

The cardholders and AOs did not take their responsibilities to get refresher training every three years seriously and relied on Acquisitions to remind them of the required training.  For instance, a cardholder and an AO indicated they did not complete their refresher training because they were reminded in the same month the refresher training was due.  In addition, individual card privileges were not rescinded for those who did not complete the refresher training as required. Without timely training, there is a risk cardholders and AO are not up-to-date on current government card policies and changes to policies thereby increasing the risk of improper payments, misuse of the purchase card and failure to comply with requirements of the purchase card program.

Acquisitions tracks cardholder and AO training on a spreadsheet and reviews the spreadsheet monthly to identify cardholders and AOs that require additional training.  Acquisitions will email cardholders and AOs that require additional training.

### Recommendations

We Recommend the Chief Acquisition Officer:

**Recommendation 4:**      Enforce the current policy of rescinding cardholder and approving official privileges if they fail to complete refresher training.

Management Response

NARA concurs with this recommendation.  The CAO will revise the policy to reduce cardholder privileges to $1.00 when refresher training is not completed.  If after a grace period the refresher training is not completed, the cardholder's privileges will be rescinded.  When an AO fails to complete refresher training, the CAO will assign a new AO or reduce those cardholders' privileges who are assigned to the AO.

*Target Completion Date*: November 30, 2019

OIG Analysis

We consider NARA's proposed actions responsive to our report recommendations.  All recommendations will remain open and resolved, pending completion of the corrective actions identified above.

> **Recommendation 5:** Improve the alternate control by informing cardholders and approving officials months prior to the refresher training due date.

Management Response

NARA concurs/does not concur with this recommendation.  The Chief Acquisition Officer will revise the policy to ensure that purchase cardholders are notified at least 45 days prior to the refresher training due date.

*Target Completion Date*: November 30, 2019

OIG Analysis

We consider NARA's proposed actions responsive to our report recommendations.  All recommendations will remain open and resolved, pending completion of the corrective actions identified above.

# Appendix A – Summary of Monetary Results

| Finding No. | Recommendation | Description | Amount | Category | Agency Response | OIG Response |
|---|---|---|---|---|---|---|
| 1 | 1d | Cardholders improperly made a split purchase. | $8,217.24 | Questioned Costs, No Recovery | * | * |
| 1 | 1e | Cardholders lacked a written purchase request. | $2,597.99 | Questioned Costs, No recovery | * | * |
| 2 | 3 | 51 instances where the transactions of the cardholder statements were not reviewed and verified by an AO. | $121,000.62 | Questioned Costs, No recovery | * | * |

*The agency did not include a response to Appendix A at the time of this report.  The agency will respond under separate cover.

# Appendix B – Prior Recommendations

The status of recommendations from *Audit of NARA's Purchase Card Program* (OIG Audit Report #08-02, November 14, 2007) and *Audit of NARA's Public Facing Websites* (OIG Audit Report No. 16-05, March 26, 2016).

| Report No. | Rec. No. | Recommendation Text | Status |
|---|---|---|---|
| 08-02 | 13 | The Assistant Archivist of Administration should direct the Director of NAA (Acquisitions Staff) to establish written policies and procedures to evaluate the effectiveness of cardholder reconciliations and approving officials certifying duties. | Subsumed into Rec. 1b (see page 11) |
| 16-05 | 11 | NARA General Counsel coordinates with the CIO and CINO on the publishing of the NARA employee directory and Government credit cardholders list to ensure the security of NARA employees is taken into consideration. | Closed |

# Appendix C – Algorithm Categories

The following table describes the categories the 20 OIGs used to determine if transactions merited closer review.

| Categories | Description |
| --- | --- |
| Prohibited MCCs | MCCs that are prohibited by individual agencies. |
| Questionable MCCs | MCCs that are questionable by individual agencies. |
| Cardholder Exceeded Single Purchase Limit | Cardholders who spend more than the set single purchase limit. |
| Split Transaction | Transactions by which cardholders may be trying to circumvent the micro-purchase threshold or avoid meeting bidding requirements. |
| Sales Tax Transaction | Sales tax charged to the Government. |
| Holiday or Weekend Transaction | Any transaction date that falls on a Federal holiday or a weekend. |
| Unauthorized Third-Party Merchants | Purchases through a third-party merchant such as an online retailer. |
| Closed Account Activity | Transactions occurring after the cardholder's account has closed. |

# Appendix D – Acronyms

| | |
|---|---|
| Act | The Government Charge Card Abuse Prevention Act of 2012 |
| A/OPC | Agency/Organization Program Coordinator |
| AO | Approving Official |
| Autoclose | Cardholder statements automatically close without approval by the AO in CitiDirect |
| BFS | Bureau of Fiscal Services |
| CIGIE | Council of the Inspectors General on Integrity and Efficiency |
| FAR | Federal Acquisition Regulation |
| FY | Fiscal Year |
| GAGAS | Generally Accepted Government Auditing Standards |
| ICP | Internal Control Plan |
| IT | Information Technology |
| MCC | Merchant Category Codes |
| NARA | National Archives and Records Administration |
| OIG | Office of Inspector General |
| X | Office of the Chief Financial Officer |
| XA | Accounting Policy and Operations |
| Z | Acquisitions Office |

# Appendix E – Management Response

NATIONAL ARCHIVES

Date: MAR 2 6 2019

To: James Springs, Inspector General

From: David S. Ferriero, Archivist of the United States

Subject: Action Plan to OIG Report 19-AUD-04, *Audit of NARA's Purchase Card Program*

Thank you for the opportunity to provide comments on this final report. We concur with the five recommendations in this audit, and in response, the attachment provides a summary of our proposed actions. As each recommendation is satisfied, we will provide documentation to your office. If you have questions about this action plan, please contact Kimm Richards at kimm.richards@nara.gov or by phone at 301-837-1668.

DAVID S. FERRIERO
Archivist of the United States

Attachment

NATIONAL ARCHIVES *and*
RECORDS ADMINISTRATION
8601 ADELPHI ROAD
COLLEGE PARK. MD 20740-6001
*www.archives.gov*

**Action Plan Response to OIG Report 19-AUD-03,**
***Audit of NARA's Purchase Card Program***

**Recommendation 1 (X):** We recommend the Chief Financial Officer, strengthen internal and management controls over purchase cards by:

a. Enhancing instructions to AOs to look for sales tax paid by a cardholder, recurring purchases, and split purchases.
b. Enhancing the monitoring of the AOs timely verification of purchase card transactions. (See Appendix B)
c. Documenting the monitoring of purchase card transactions to ensure cardholders' recover sales tax paid and/or make a good-faith attempt to recover sales tax paid.
d. Documenting the monitoring of purchase card transactions to ensure split purchases are not occurring.
e. Monitoring purchase card transactions to ensure separation of duties from authorizing the purchases and making purchases.

**Planned Action:** The Chief Financial Officer will update the Purchase Management Plan and the Chief Acquisition Officer will update the NARA Government-wide Commercial Purchase Card and Micro-Purchase Guide to include instructions and strengthen internal controls to:

a. Identify sales tax charged, recurring purchases, and split purchases.
b. Ensure Approving Officials' conduct monthly reviews and approvals of their subordinates' purchase card transactions, and follow-up with the Approving Officials when necessary.
c. Conduct quarterly reviews of cardholder transactions to detect if sales taxes were paid.
d. Conduct an annual spend analysis on cardholder activity to identify for split purchases.
e. Ensure that an individual may not authorize and make purchases without the review and written approval of his/her immediate supervisor or above.

**Target Completion Date:** November 30, 2019

**Recommendation 2 (X):** We recommend the Chief Financial Officer ensure Accounting Policy and Operations and Acquisitions purchase card policies are updated to reflect current practices.

**Planned Action:** The CFO will update the Purchase Card Management Plan and the CAO will update the NARA Government-wide Commercial Purchase Card and Micro-Purchase Guide to ensure purchase card policies reflect current practices.

**Target Completion Date:** November 30, 2019

**Recommendation 3 (X):** We recommend the Chief Financial Officer ensure Accounting Policy and Operations and Acquisitions update the controls and the methods used to monitor controls associated with the purchase card program.

**Planned Action:** The CFO and the CAO will review and update their internal control plans associated with the purchase card program.

**Target Completion Date:** November 30, 2019

**Recommendation 4 (Z):** We recommend the Chief Acquisition Officer enforce the current policy of rescinding cardholder and AO privileges if they fail to complete refresher training.

**Planned Action:** The CAO will revise the policy to reduce cardholder privileges to $1.00 when refresher training is not completed. If after a grace period the refresher training is not completed, the cardholder's privileges will be rescinded. When an AO fails to complete refresher training, the CAO will assign a new AO or reduce those cardholders' privileges who are assigned to the AO.

**Target Completion Date:** November 30, 2019

**Recommendation 5 (Z):** We recommend the Chief Acquisition Officer improve the alternate control by informing cardholders and AO months prior to the refresher training due date.

**Planned Action:** The Chief Acquisition Officer will revise the policy to ensure that purchase cardholders are notified at least 45 days prior to the refresher training due date.

**Target Completion Date:** November 30, 2019

# Appendix F – Report Distribution List

Archivist of the United States
Deputy Archivist of the United States
Chief Operating Officer
Deputy Chief Operating Officer
Chief of Management and Administration
Chief Financial Officer
Chief Acquisitions Officer
Accountability
United States House Committee on Oversight and Government Reform
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