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**Purchase Cards**

Report No. OIG-AMR-80-18-02

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August 16, 2018

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**APPENDIX**

Memorandum from the Acting Chief Financial Officer, Response to  
Report No. OIG-AMR-80-XX-XX Purchase Card, dated August 7, 2018

## **EXECUTIVE SUMMARY**

The General Services Administration (GSA) administers the Federal Government's purchase card program through the GSA Smart Pay Program. The GSA SmartPay purchase card program provides payment solutions to Federal employees to make official Government purchases for supplies, goods, and services under the micro-purchase threshold. The General Services Administration has a master contract with three commercial banks to issue purchase cards to Federal employees.

The National Labor Relations Board's purchase cards are issued by Citibank, and the program is administered by the Office of the Chief Financial Officer's Acquisitions Management Branch. The Office of Management and Budget prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs.

The objectives of the audit were to determine whether the purchase card program is operated in accordance with applicable laws, regulations, and Agency policies and to determine whether Agency controls are sufficient to prevent or detect, fraud, waste, and abuse.

We determined that internal controls for the purchase card program could be improved. The Purchase Card Management Plan did not meet all of the requirements as set forth by the Office of Management and Budget. The report also details a number of findings related to training; documentation and approval for purchase card transactions; segregation of duties; split transactions; and management oversight of purchase card usage.

The Acting Chief Financial Officer submitted Management Comments on the draft report that concur with the findings and recommendations. Further, the Acting Chief Financial Officer stated that they are revising the Purchase Card Management Plan to meet new program requirements and to adequately address each deficient element. Additionally, the Acting Chief Financial Officer specifically addressed how they will respond to the findings related to training; documentation and approval for purchase card transactions; segregation of duties; split transactions; and management oversight of purchase card usage as part of their Corrective Action Plan. The Management Comments are provided in their entirety as an appendix to the report.

## **BACKGROUND**

The General Services Administration (GSA) administers the Federal Government's purchase card program through the GSA Smart Pay Program. The GSA SmartPay purchase card program provides payment solutions to Federal employees to make official Government purchases for supplies, goods, and services under the micro-purchase threshold. The Office of Management and Budget (OMB) prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs.

GSA has a master contract with three commercial banks to issue purchase cards to Federal employees. The National Labor Relations Board's (NLRB or Agency) purchase cards are issued by Citibank, and the program is administered by the Office of the Chief Financial Officer's (OCFO) Acquisitions Management Branch (AMB). At the NLRB, the primary participants in the program include the Agency Program Coordinator (APC), who is responsible for both the overall administrative functions and general oversight of the Purchase Card Program; Approving Officials, who are responsible for pre-approving purchases, reviewing monthly statements, and ensuring that charges are adequately supported; and the purchase cardholder, who is responsible for utilizing the purchase card only for Government authorize purchases.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

The objectives of the audit were to determine whether the purchase card program is operated in accordance with applicable laws, regulations, and Agency policies and to determine whether Agency controls are sufficient to prevent or detect, fraud, waste, and abuse.

Our audit scope was to review all purchase card activities during Fiscal Year (FY) 2015 and first 7 months of FY 2016. We excluded purchase card transactions that involved Office of Inspector General procurements. To determine the use of NLRB Form-13 for approvals, we reviewed the Headquarters cardholders during the month of June 2016. Because the NLRB financial system did not record collections prior to the FY 2016, we expanded the scope for testing rebates to the

entire FY 2016 period. For the Management Plan requirements, we ensured that any deficiencies that we noted were not remediated in the January 2017 plan.

We reviewed Governmentwide laws and regulations related to purchase cards. We also reviewed guidance issued by the OMB, including OMB Circular A-123, Appendix B, Revised January 15, 2009, Improving the Management of Government Charge Card Programs. We obtained and reviewed the Agency's Purchase Card Guide and Purchase Card Management Plan and interviewed Agency personnel to identify internal controls used to manage the purchase card program.

We reviewed the Agency's Purchase Card Management Plan to determine whether it met the requirements in OMB Circular A-123, Appendix B. We used a matrix developed by GSA to summarize our internal control testing. We used this matrix to determine whether the Agency complied with the Government Charge Card Abuse Prevention Act of 2012. We reviewed the Agency's submissions to OMB to determine whether it complied with the reporting requirements in OMB Circular, A-123, Appendix B.

We reviewed the files maintained for each purchase cardholder to determine whether they contained all necessary documentation.

We reviewed documentation of initial and refresher training for purchase cardholders to determine whether they received the required training. We also reviewed documentation to determine whether the Approving Officials and APCs received training. Finally, we reviewed the contents of the Agency's training to determine if they meet standards listed in OMB Circular A-123, Appendix B.

We reviewed the list of purchase cardholders, Approving Officials, and Approving Official Designees to determine that there was proper segregation of duties among those positions. We reviewed the list of purchase cardholders during the scope period to determine whether accounts were closed in a timely manner.

We reviewed purchase card statements to determine whether they were signed by cardholders, had all proper supporting documentation, had all required preapprovals and were

signed by the proper Approving Official. Additionally, we reviewed all purchase card transactions to determine whether they had proper approval.

We reviewed the supporting documentation attached to monthly statements to determine whether any documents had an altered amount, date or handwritten amount. If we found altered data, we determined whether the purchase was for Agency or personal use, the reason for the alteration, how the alteration affected the amount listed on the supporting documentation and whether acceptable documentation was attached to the statement reconciliation. We obtained a listing of declined transactions from the Citibank database and determined whether those transactions appeared to be improper.

We conducted this performance audit in accordance with generally accepted government auditing standards during the period May 2016 through December 2017. 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.

## **COMPLIANCE WITH GOVERNMENTWIDE POLICIES**

### ***Reporting Requirements***

OMB Circular A-123, Appendix B requires agencies to develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this Guidance. The Circular also states that the plan should be updated annually, or more frequently, if necessary to remain current and that agencies shall submit a copy of their plan to OMB not later than January 31 of each calendar year. The Circular also requests that agencies submit an annual statistical and a biannual narrative report. We reviewed OMB Max portal and found the following:

<b>Report</b>	<b>Year</b>	<b>Date Submitted</b>
Purchase Card Management Plan	2015	1/30/2015
	2016	None
	2017	1/31/2017
Statistical Data	2015	1/30/2015
	2016	None
	2017	None
Narrative report	2014/2015	None
	2016/2017	1/31/2017

For 2017, the Agency submitted a document titled “Purchase Card Management Plan and Annual Narrative Statement.” Our review of that document found that it did not meet all of the requirements for the narrative report. The document did not include the dates of the most recent and next scheduled independent review for all agency charge card programs; a description of the current process for monitoring delinquency, including what reports the Agency reviews and what actions are taken when a problem is discovered; and the Agency’s future plans (within the next 12 months) to enhance charge card systems by automating reviews to detect instances of abuse, misuse, and fraud.

During our review of documentation and interviews with OCFO staff, we observed that although there was apparent knowledge of the reporting requirements, there was a lack of coordination between the OCFO branches and employees within the branches.

***Management Plan Requirements***

The NLRB Purchase Card Management Plan must meet the requirements of OMB Circular A-123, Appendix B. We reviewed the December 2014 and April 2015 Plans. We then verified that any deficiencies that we found were not corrected in the last update of the plan in January 2017. We reviewed that plan and determined that it failed to meet the following OMB Circular A-123, Appendix B requirements:

1. Element 4 (Training) – The Plans failed to describe the training requirements for the APC;
2. Element 6 (Authorization Controls) – While the Plans contained a requirement to obtain approval from the



Approving Official prior to purchase to ensure that purchases were for official Government purposes, there was no requirement to ensure that funds were available for the transaction;

3. Element 8 (Reports for Monitoring) – While the Plans provided the report name, period of review and why the report is being reviewed, they did not describe how the report is going to be used, specifically what the reviewers will be looking for to monitor delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues; and
4. Element 9 (Documentation & Record Retention Requirements) – We found that there was not sufficient documentation and record retention requirements for the following aspects of the Purchase Card Program:
  - a. Appointment – the plans did not describe how documentation of the appointment of cardholders or approving officials will be maintained in Agency records.
  - b. Monthly Reconciliation Statements – The December 2014 Plan required cardholders to maintain reconciled statements signed by the purchase cardholder and the approving official for 6 years. This requirement is not in the April 2015 or the January 2017 Plan.

#### *Recommendation*

1. We recommend that the OCFO revise the Management Plan to address the noted deficiencies.

#### ***Compliance with the Government Charge Card Abuse Prevention Act of 2012***

The Government Charge Card Abuse Prevention Act of 2012 requires that agencies establish and maintain specified internal controls. OMB Memorandum M-13-21, OMB's implementation guidance for the Government Charge Card Abuse Prevention Act of 2012, encourages agencies to use the matrix developed by GSA to ensure the required safeguards and internal controls are in place and to summarize the overall results in the completed compliance

summaries and internal control assurance assessments in the annual Charge Card Management Plans.

We summarized our internal control testing to determine whether Agency had proper internal controls for the purchase card program and to determine if it complied with the Government Charge Card Abuse Prevention Act of 2012. The table below is based on the matrix developed by GSA annotated with our internal control testing results:

Government Charge Card Abuse Prevention Act of 2012 Section	Control Description	OIG Description of Internal Control	Operational Effectiveness of Control Activities	Instances of Non-compliance
§ 1909.2.a	<b>The head of each executive agency that issues and uses purchase cards and convenience checks shall establish and maintain safeguards and internal controls to ensure the following:</b>			
§ 1909.2.a.1	There is a record in each executive agency of each holder of a purchase card issued by the agency for official use, annotated with the limitations on single transactions and total transactions that are applicable to the use of each such card by that purchase cardholder.	Master File Maintenance	95 percent of cardholders had applications in the Agency files that were signed by the APC. 93 percent of all cardholders had a monthly purchase limit and a single purchase limit annotation in their applications.	While the monthly and single purchase limits were generally documented in the Agency's files, 38 percent of the monthly purchase limits and 97 percent of single purchase limits in Agency records were not current.
§ 1909.2.a.2	Each cardholder is assigned an approving official other than the cardholder with the authority to approve or disapprove transactions.	Segregation of Duties	All purchase cardholders, were assigned an Approving Official/Approving Official Designee.	
§ 1909.2.a.3	<b>The holder of a government charge card and each official with authority to authorize expenditures charged to the government charge card are responsible for:</b>			
§ 1909.2.a.3.A	Reconciling the charges appearing on each statement of account for that government charge card with receipts and other supporting documentation.	Approving Official Review	The Agency's control activities were not effective.	15 percent of available statements for Regional cardholders and 47 percent of available statements for Headquarters cardholders did not have supporting documentation for all transactions on the statements

Government Charge Card Abuse Prevention Act of 2012 Section	Control Description	OIG Description of Internal Control	Operational Effectiveness of Control Activities	Instances of Non-compliance
§ 1909.2.a.3.B	Forwarding a summary report to the certifying official in a timely manner of information necessary to enable the certifying official to ensure that the Federal Government ultimately pays only for valid charges that are consistent with the terms of the applicable Government-wide purchase card contract entered into by the Administrator of General Services.	Approving Official Review	AMB did not have a procedure to record the Citibank statement received date until FY 2017.	
§ 1909.2.a.4	Any disputed purchase card charge and any discrepancy between a receipt and other supporting documentation and the purchase card statement of account is resolved in the manner prescribed in the applicable Government-wide purchase card contract entered into by the Administrator of General Services.		All disputed charges on the Transaction Dispute Report were filed in a timely manner.	
§ 1909.2.a.5	Payments on purchase card accounts are made promptly within prescribed deadlines to avoid interest penalties.		The Agency did not have any documented procedures for ensuring that payments on purchase card accounts were made timely.	

<b>Government Charge Card Abuse Prevention Act of 2012 Section</b>	<b>Control Description</b>	<b>OIG Description of Internal Control</b>	<b>Operational Effectiveness of Control Activities</b>	<b>Instances of Non-compliance</b>
<b>§ 1909.2.a.6</b>	Rebates (Refunds) based on prompt payment sales volume or other actions by the agency on purchase card accounts are reviewed for accuracy and properly recorded as a receipt to the agency that pays the monthly bill.		Refunds were properly recorded in Oracle as a receipt.	
<b>§ 1909.2.a.7</b>	Records of each purchase card transaction (including records on associated contracts, reports, accounts, and invoices) are retained in accordance with standard government policies on the disposition of records.	Approving Official Review	The Agency's control activities were not effective.  The Approving Officials were not ensuring that monthly reconciled statements had all of the necessary records for each transaction.	15 percent of statements from Regional cardholders and 47 percent of statements from Headquarters cardholders lacked records for at least some of the transactions on those statements.
<b>§ 1909.2.a.8</b>	Periodic reviews are performed to determine whether each purchase cardholder has a need for the purchase card.	Monitoring Single / Monthly Purchase Card Limit	The Agency's control activities were not effective.	There was no documentation that the Agency reviewed the need for employees to have a purchase card.
<b>§ 1909.2.a.9</b>	Appropriate training is provided to each purchase cardholder and each official with responsibility for overseeing the use of purchase cards issued by the executive agency.	Training	Generally, continuing cardholders completed refresher training during the last 3 years.	Only 73 percent of people listed as Approving Officials by AMB or that signed as an Approving Official had completed all required Skillport training. One of the three APCs did not complete training.

Government Charge Card Abuse Prevention Act of 2012 Section	Control Description	OIG Description of Internal Control	Operational Effectiveness of Control Activities	Instances of Non-compliance
§ 1909.2.a.10	The executive agency has specific policies regarding the number of purchase cards issued by various component organizations and categories of component organizations, the credit limits authorized for various categories of cardholders, and categories of employees eligible to be issued purchase cards and that those policies are designed to minimize the financial risk to the Federal Government of the issuance of the purchase cards and to ensure the integrity of purchase cardholders.	Monitoring Single/ Monthly Purchase Card Limit	The Agency did not have specific policies regarding the credit limits authorized for various categories of cardholders. The APC also stated that there was no particular category of employees who received purchase cards.	
§ 1909.2.a.11	The executive agency uses effective systems, techniques, and technologies to prevent or identify illegal, improper, or erroneous purchases.	Monitoring Purchase Card Use	The Agency's control activities were not effective.	The APC did not properly maintain records of online reports used to identify misuse.
§ 1909.2.a.12	<b>The executive agency invalidates the purchase card of each employee who:</b>			
§ 1909.2.a.12.A	Ceases to be employed by the agency, immediately upon termination of the employment of the employee; or	Cancellation of the Purchase Card	Although all separated cardholder accounts were cancelled, often accounts were not cancelled in a timely manner.	Only 20 percent of purchase cards were cancelled on or before the day of separation. 40 percent of purchase cards were not cancelled until more than 30 days after separation.

<b>Government Charge Card Abuse Prevention Act of 2012 Section</b>	<b>Control Description</b>	<b>OIG Description of Internal Control</b>	<b>Operational Effectiveness of Control Activities</b>	<b>Instances of Non-compliance</b>
<b>§ 1909.2.a.12.B</b>	Transfers to another unit of the agency, immediately upon the transfer of the employee unless the units are covered by the same purchase card authority.	Cancellation of the Purchase Card	N/A – There were no cardholders who transferred to another unit of the Agency that was not covered by the same purchase card authority. However, the Agency did not follow its procedures to maintain purchase cards for transferred employees.	
<b>§ 1909.2.a.13</b>	The executive agency takes steps to recover the cost of any illegal, improper, or erroneous purchase made with a purchase card by an employee, including as necessary, through salary offsets.	Monitoring Purchase Card Use	The Agency’s control activities were not effective.	The APC was not documenting follow-up on potential problems identified in the reports.
<b>§ 1909.2.c.1</b>	The head of each executive agency shall provide for appropriate adverse personnel actions or other punishment to be imposed in cases in which employees of the agency violate agency policies under the guidance required by subsection (b) or make illegal, improper, or erroneous purchases with purchase cards.	Monitoring Purchase Card Use	The Agency’s control activities were not effective.	The APC was not documenting follow-up on potential problems identified in the reports.
<b>§ 1909.2.c.2</b>	Penalties prescribed for employee misuse of purchase cards that include dismissal of the employee, as appropriate.	Monitoring Purchase Card Use	The Agency’s control activities were not effective.	The APC was not documenting follow-up on potential problems identified in the reports.

## ADMINISTRATION OF PURCHASE CARD PROGRAM

### *Master File Maintenance*

Section 1909 of the Government Charge Card Abuse Prevention Act of 2012, Management of Purchase Cards, requires that the NLRB maintain a record for each purchase cardholder that includes an annotation of the cardholder's limitations on single transaction and total transactions limits. OMB Circular A-123, Appendix B states that the charge card manager is responsible for overseeing the establishment and maintenance of master file/official cardholder records, including training, appointment, single and monthly purchase limits, and related records. The NLRB Purchase Card Management Plan designates the APC as the responsible Agency official for maintaining official purchase cardholder records, including training, appointment, single and monthly purchase limits, and requires that the Approving Official send a nomination request to the APC when it is determined that an NLRB employee should be issued a purchase card.

We reviewed the master files for the 114 purchase cardholders and found that there was a master file maintained for all 114 cardholders. We also found that the applications were generally properly completed and maintained, but the nomination requests for the purchase cards were not, as shown on the table below.

	<b>Yes</b>	<b>Percent</b>	<b>No</b>	<b>Percent</b>
Properly Completed Application	108	94.74	6	5.26
Approving Official Nomination	3	2.63	111	97.37

We observed that the monthly and single purchase limits for closed accounts were frequently reduced to zero. As a result, we reviewed the 89 active accounts and found that the limits were generally not documented, as shown in the table below:

	<b>Yes</b>	<b>Percent</b>	<b>No</b>	<b>Percent</b>
Monthly Purchase Limit Documented	55	61.80	34	38.20
Single Purchase Limit Documented	3	3.37	86	96.63

We also observed that the single purchase limit documented in the cardholder applications was generally the micro-purchase limit in effect at the time the application was



signed. The single purchase limit in Citibank’s Reporting System for non-AMB employees, however, was set at the current micro-purchase limit. It appears that cardholder’s single purchase limit may have been increased to reflect changes in the micro-purchase limit, but the changes were not documented in the master file.

The NLRB Purchase Card Management Plan states that records of training on Skillport will be maintained by Office of Employee Development’s Skillport software. Our review of the master file for training records was limited to the GSA training certificate and the Section 508 training certificate for purchase cardholders who purchase information technology items. The GSA training certificate was generally maintained, but the certificate for the Section 508 training was not for the relevant purchase cardholders. This is shown in the table below:

	<b>Yes</b>	<b>Percent</b>	<b>No</b>	<b>Percent</b>
GSA Training Certificate	111	97.37	3	2.63
Section 508 Training Certificate	1	7.69	12	92.31

*Recommendation*

2. We recommend that the OCFO establish procedures to ensure that the master files meet all of the legal and regulatory requirements.

**Training**

*Training Content*

OMB Circular A-123, Appendix B, requires that purchase card program participants certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions. The specific training requirements include:

For purchase cardholders:

- Must provide general information on card use;
- Must familiarize with Federal procurement and property laws and regulations;
- Must familiarize with Agency procurement and property and other card-related policies;
- Must familiarize with other applicable proper card usage; and

- Shall be consistent with cardholder's level of responsibility or spending authority.

For Approving Officials:

- Must include training in Federal acquisition, applicable financial policies and regulations, and Approving Official responsibilities;
- Must receive the same training as cardholders; and
- Agency managers are responsible for ensuring that cardholders follow the mandatory source requirement established in part 8 of Federal Acquisition Regulation [FAR] (Required Sources of Supplies and Services.)

For APCs:

- Must familiarize APCs with cardholder and Approving Official responsibilities;
- Must familiarize APCs with proper management, control and oversight tools and techniques; and
- Additionally, APCs must also receive training by the charge card vendor on using their Electronic Access System (or applicable system) to manage the program.

The NLRB provides the training through two methods: GSA online training and NLRB Office of Employee Development (OED) training. The GSA training provides a last page where it states that the trainee understood the training and then the trainee signs the certificate. OED can track completion of the training through its training course database that records the completion date.

We found that the content of the OED training for purchase cardholders and Approving Officials covered all of the OMB training requirements, but that the content of the OED training for APCs did not cover proper management control and oversight tools and techniques or the purchase card vendor's Electronic Access System. The GSA training for APCs would have covered proper management control and oversight tools and techniques; however, there was no documentation that APCs completed the GSA APC training.

*Recommendation*

3. We recommend that the OCFO coordinate with OED to ensure that the Agency’s purchase card training meets all of OMB’s requirements.

*Training Completion*

OMB Circular A-123, Appendix B requires that all charge card program participants be trained prior to appointment and that they complete refresher training at least every 3 years. AMB officials explained that NLRB cardholder participants are required to complete four types of training: GSA online training and OED training courses that cover ethics, green purchasing, and Government purchasing. As refresher training, the purchase card participants are required to complete the three OED training courses.

We observed that several employees were involved in multiple roles of the purchase card program. We found that the Agency did not always meet the requirement for new cardholders to complete training prior to appointment:

	Number of Employees	Completed Training		Completed Training Prior to Opening Account	
		All	Partial	Yes	No
<b>New Cardholders</b>	10	8	2	5	3

We also found that the Agency generally met the requirement for continuing cardholders to complete refresher training every 3 years:

	Number of Employees	All Training Current as of 4/30/16			
		Completed Training		No/Partial	
		Employees	Percent	Employees	Percent
<b>Continuing Cardholders</b>	104	102	98.08	2	1.92

We could not determine if Approving Officials and Approving Official Designees were trained prior to appointment because there was no documentation of when Approving Officials and Approving Official Designees were first appointed and AMB did not maintain documentation of the GSA purchase card training for Approving Officials and Approving Official Designees.

We found that the Agency did not meet its requirement for Approving Officials and Approving Official Designees to complete the OED training. For this testing we included all employees who either were listed as an Approving Official or who performed Approving Official duties:

	Number of Employees	Completed Skillport Training					
		All		Partial		None	
		Employees	Percent	Employees	Percent	Employees	Percent
Listed as and Signed as Approving Official	55	42	76.36	3	5.45	10	18.18
Only Signed as Approving Official	14	8	57.14	0	0.00	6	42.86
Only Listed as Approving Official	5	4	80.00	0	0.00	1	20.00
<b>Total</b>	<b>74</b>	<b>54</b>	<b>72.97</b>	<b>3</b>	<b>4.05</b>	<b>17</b>	<b>22.97</b>

Additionally, we found that only two of the three employees who were designated as an APC completed the required training prior to the effective date of the appointment.

*Recommendation*

4. AMB develop and implement controls to ensure that all participants in the purchase card program meet the training requirements.

***Segregation of Duties***

OMB Circular A-123, Appendix B states that the charge card managers must ensure the separation of duties among key functions such as making purchases, authorizing purchases and payments, certifying funding, and reviewing and auditing. The NLRB Purchase Card Management Plan states that an employee cannot be both a purchase cardholder and an Approving Official.

We reviewed the Agency policies and found that the Agency had policies segregating the key functions of making purchases (Purchase cardholder); authorizing and reviewing purchases (Approving Official/Approving Official Designee); authorizing payments (Designated Billing Officer); and auditing purchase card statements (APC). We found, however, several situations in which the segregation of duties was not maintained:

- At various times, the APC was the Approving Official for AMB purchase cardholders;
- Two employees were simultaneously both Approving Officials and purchase cardholders; and
- The APC maintained a purchase card during the entire scope period.

## **OVERSIGHT OF PURCHASE CARD USE**

### ***Documenting Availability of Funds***

OMB Circular A-123, Appendix B states that the purchase cardholder should document the availability of funds at the time of each purchase and obtain prior approval before making self-generated purchases. We found that there were no documented processes to reserve funds for purchase cards in the NLRB Purchase Card Management Plan and that the NLRB Purchase Card Guide stated that “the AO [Approving Official] confirms that all purchases clearly support the NLRB mission and are not for personal use” but does not address ensuring that funding is available.

### ***Use of Form NLRB-13***

On February 23, 2016, AMB issued a memorandum to Headquarters purchase cardholders and Approving Officials requiring them to use the Form NLRB-13 for the certification and approval of appropriated funds prior to making any purchase on the purchase card. The memorandum also stated that AMB would “continue to review monthly purchase statements to ensure all invoices are accompanied by a Form NLRB-13”. The Form NLRB-13 is not required for the Field. We reviewed June 2016 purchase card transactions and the supporting documentation attached to the monthly statements to determine whether the Form NLRB-13 procedures were followed where applicable.

We identified 84 transactions that required the use of Form NLRB-13 for approval. We found that 30 transactions did not have a Form NLRB-13 attached. For the remaining 54 transactions, we reviewed the Form NLRB-13 to determine whether the form was properly executed with the Approving Official’s and Budget Branch’s approval prior to the Citibank

transaction date. The table below shows the results of the testing.

<b>Form NLRB-13 Properly Executed</b>	<b>Form Not Properly Executed</b>		
	<b>Approving Official Signed After the Citibank Transaction Date</b>	<b>Budget Branch Signed after the Citibank Transaction Date</b>	<b>Incomplete Form NLRB-13</b>
33	7	12	2

We observed that when Form NLRB-13 was properly executed, the cardholders generally purchased only the items that were approved on the form and generally did not exceed the amount approved by the Budget Branch.

***Purchase Card Use during Period of Limited Funds Availability***

Except for certain purchase cardholders in AMB and OED, purchase card transactions for anything other than shipping were suspended from September 4, 2015 through January 12, 2016. The suspension was implemented by blocking non-shipping Merchant Category Codes (MCCs). During the suspension, purchase cardholders were required to obtain the Budget Branch’s preauthorization and coordinate with AMB to authorize the transaction.

We identified 90 purchase cards that should have had MCCs blocked during the suspension period. We found that AMB did not maintain documentation that the MCCs were in fact blocked. Because there was no documentation that non-shipping MCCs were blocked for 90 purchase cards, we reviewed the individual transactions to determine if the card was used or if there was an attempt to charge the purchase card that was declined due to a blocked MCC and found the following:

- During the suspension period, there were 368 attempts to charge the purchase card that were declined due to a blocked MCC, involving 75 transactions. Of the 75 transactions, 20 were later processed by an AMB cardholder;
- Seven transactions by the cardholders were initiated and processed during the restriction period. The transactions were initially declined because of a blocked MCC.

Although we found no documentation that AMB approved the transaction, to complete these transactions, the cardholder must have coordinated with AMB; and

- There were three transactions that were processed without being declined initially, but the cardholders who completed those transactions had declined transactions for other attempts to use the purchase card.

Based upon this analysis, we determined that the MCC block operated as intended to limit the use of the purchase cards during the limited funds period. We could not, however, determine whether the requirement for preauthorization from the Budget Branch for non-UPS transactions was working as intended because there was no documentation of preauthorization from the Budget Branch.

### ***Split Transactions***

The Federal Acquisition Regulation states that it is improper to break down requirements aggregating more than the micro-purchase threshold into several purchases that are less than the threshold merely to avoid any requirement that applies to purchases exceeding the micro-purchase threshold. A “Micro-purchase” means an acquisition of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. The Micro-purchase threshold increased from \$3,000 to \$3,500 on October 1, 2015.

OMB Circular A-123, Appendix B states that an improper purchase may include a purchase made on the same day from the same vendor to circumvent cardholder single transaction limits. The GAO Audit Guide to Auditing and Investigating the Internal Controls of Government Purchase Card Programs states that split transactions are two or more transactions that would have normally been a single-purchase transaction, but were split to circumvent the micro-purchase threshold or other legal or internal control over single purchase limits. The NLRB Management Plan states that a split purchase results when a purchase cardholder splits a single requirement, like furniture for the NLRB or office supplies, into two or more separate purchases, thereby avoiding his/her single transaction limit.

We found 70 transactions totaling \$93,055.30 that appear to meet the definition of a split transaction. Examples of the transactions included:

- A Regional Office cardholder who had 16 transactions totaling \$6,213.91 for office supplies from the same vendor in a 10-day period;
- A Headquarters cardholder who had 2 transactions in the same amount on the same date to the same vendor, totaling \$4,593.62;
- A Headquarters cardholder who had 2 transactions in the same amount on the same date to the same vendor totaling \$4,500;
- A Regional Office cardholder who had 2 transactions totaling \$3,168.75 for office supplies from the same vendor on consecutive days. The first transaction was for \$190.28 and the second transaction was for \$2,978.47 for office supplies from the same vendor;
- A Headquarters cardholder who had 2 transactions totaling \$3,120 ordered within 5 days to the same vendor for same services;
- A Regional Office cardholder who ordered office supplies from the same vendor in 4 transactions totaling \$5,276.20 over a 5-day period;
- A Regional Office cardholder who ordered office supplies from the same vendor in 3 transactions totaling \$4,502.59 over a 7-day period;
- A Headquarters cardholder who ordered office supplies from the same vendor in 2 transactions totaling \$3,273.85 over a 5-day period;
- A Headquarters cardholder who split a software renewal totaling \$3,375.40 into 2 transactions on the same date;
- A Headquarters cardholder who split a software renewal totaling \$4,037.25 into 2 transactions on consecutive days;



- A Regional Office cardholder who paid for translation services in the amount of \$9,368.16 in 10 transactions with the same vendor for services each day for a 2 weeks period;

### ***Pre-approval and Reconciliation***

The Government Charge Card Abuse Prevention Act of 2012 states that the holder of a purchase card and each official with authority to authorize expenditures charged to the purchase card are responsible for reconciling the charges appearing on each statement of account for that purchase card with receipts and other supporting documentation. OMB Circular A-123, Appendix B requires charge card statement reconciliation or transaction reconciliation in a timely manner. The NLRB Purchase Card Management Plan requires that purchase cardholders seek written pre-approval from their Approving Official for all purchases except for a limited number of routine shipping and telecommunication charges that are automatically billed to the purchase card. The plan also requires that all matching original invoices/sales receipts be attached to the statement and that invoices or sales receipts match the statement amount exactly. The NLRB Purchase Card Guide requires that the statements be reconciled by the purchase cardholder and reviewed and approved by the Approving Official within 30 days of the receipt of the statement. We observed that AMB did not maintain a list of Approving Officials until April 1, 2015. Therefore, we excluded statements prior to April 1, 2015, from our testing for compliance with pre-approval and reconciliation.

We observed that the purchase card statements were generally available for review and that there was documentation that the statements were reviewed, but the supporting documentation was not always with the statement:

Field	Statements Available for Review	Signed by Cardholder	Appropriate Supporting Documentation Attached		
			All	Partial	None
			742	727	627
<b>93%</b>	<b>98%</b>	<b>85%</b>	<b>14%</b>	<b>1%</b>	

Headquarters	Statements Available for Review	Signed by Cardholder	Appropriate Supporting Documentation Attached		
			All	Partial	None
			276	271	148
<b>93%</b>	<b>98%</b>	<b>54%</b>	<b>42%</b>	<b>5%</b>	

Field	Signed by Approving Official on AMB's List Documenting Review		
	Yes	No	Prior to First Approving Official List
	461	47	234
	<b>91%</b>	<b>9%</b>	

Headquarters	Signed by Approving Official on AMB's List Documenting Review		
	Yes	No	Prior to First Approving Official List
	176	10	90
	<b>95%</b>	<b>5%</b>	

For the statements that were available to be reviewed, there were 1,029 transactions for Field cardholders and 819 transactions for Headquarters cardholders that required authorization prior to the transaction. We observed that only a small percentage of transactions met all the requirements for pre-approval including that the amount is specific and a description of the goods or services.

Field	Pre-approved by Approving Official Listed by AMB and Specific Amount and Description	
	Yes	No
	73	956
	<b>7%</b>	<b>93%</b>

<b>Headquarters</b>	<b>Pre-approved by Approving Official Listed by AMB and Specific Amount and Description</b>	
	<b>Yes</b>	<b>No</b>
	136	683
	<b>17%</b>	<b>83%</b>

For the Headquarters testing, we excluded OED charges that were related to training and conference and AMB charges. We reviewed the OED training and conference charges in the Training and Conferences audit (OIG-AMR-77-16-02).

### *Recommendations*

5. We recommend that the Agency develop and implement processes and procedures to ensure that reconciled statements are accurate and complete.
6. We recommend that the Agency develop and implement processes and procedures regarding the content of pre-approvals. While the Agency revised its Government Purchase Card Policy and Procedures, effective October 1, 2016, to require that pre-approval list all items to be purchased, there is no requirement that the pre-approval include the amount that is to be spent.

### ***Review of Reports***

OMB Circular A-123, Appendix B states that the charge card manager is responsible for reviewing available data to detect instances of fraud and misuse and identify trends and outliers in relevant indicators of charge card program performance. In carrying out these activities, charge card managers are required to:

- Review account activity reports to identify questionable or suspicious transactions;
- Contact employees to inquire about questionable or suspicious transactions;
- Develop and impose disciplinary action deemed appropriate by the agency in cases of charge card misuse; and
- Initiate administrative and/or disciplinary actions for each occurrence of charge card misuse.

The NLRB Purchase Card Management Plan states that the APC will review the Citibank On-Line monthly reports for indications of misuse, waste, or fraud and note action(s) taken in “Monthly Purchase Card Reviews” binder. This information shall be maintained for one year.

We found that AMB maintained reports for 8 months of the audit scope period, and we found no online reports after September 2015:

<b>Period</b>	<b>Account Activity Report</b>	<b>Delinquency Report</b>	<b>Declined Authorization Report</b>	<b>Transaction Dispute Report</b>
Oct-14	Yes	Yes	Yes	Yes
Nov-14	Yes	Yes	Yes	No
Dec-14	Yes	Yes	Yes	Yes
Jan-15	No reports in file			
Feb-15	Yes	Yes	Yes	Yes
Mar-15	Yes	Yes	Yes	Yes
Apr-15	Yes	Yes	Yes	Yes
May-15	No reports in file			
Jun-15	No reports in file			
Jul-15	No reports in file			
Aug-15	Yes	Yes	Yes	Yes
Sep-15	Yes	Yes	Yes	Yes

From our review of the online reports, we determined that of the 31 reports maintained by AMB, 29 reports had documentation of APC review. We observed that:

- The APC identified issues in 14 of the 29 online reports;
- The APC did not always document the follow-up on potential problems identified in the online reports; and
- The APC provided improper advice when he emailed a cardholder who placed two orders with a contractor in an amount over the micro-purchase amount and advised the cardholder to spread out the orders to avoid the appearance of a split order.

## ***Review of Monthly Statements***

OMB Circular A-123, Appendix B states that the charge card manager is responsible for ensuring that cardholder statements of account and supporting documentation are reviewed and utilized to monitor misuse and other transaction activities. The charge card managers are responsible for ensuring that charge cards are used for authorized purchases or expenses only. In carrying out these activities, charge card managers are required to:

- Review charge card statements to identify questionable or suspicious transactions;
- Contact employees to inquire about questionable or suspicious transactions;
- Develop and impose disciplinary action deemed appropriate by the agency in cases of charge card misuse; and
- Initiate administrative and/or disciplinary actions for each occurrence of charge card misuse.

The NLRB Purchase Card Management Plan states that the APC, the NLRB charge card manager, will monitor monthly purchase cardholder reconciliation statements for training opportunities or misuse by the purchase cardholder or Approving Official. The APC is also responsible for a monthly review of the accuracy and completeness of the monthly reconciliation statements approved by the Approving Official utilizing the following method for review:

- The cardholders that represent the top 10 purchasers for the month are reviewed; and
- At random, an additional 10 cardholders are selected for review. Unless a cardholder selected randomly is later a top 10 purchaser in the fiscal year, the cardholder's account will not be reviewed again in the fiscal year. This method ensures that top spenders are reviewed monthly and all others are reviewed at least once during the fiscal year. However, if a randomly selected account raises concern, the APC may choose to randomly review it again at any time during the fiscal year.

When interviewed about these controls, AMB officials explained that rather than reviewing a sample of monthly statements as required by the NLRB Purchase Card Guide, they reviewed all of the statements and documented the issues that were found in an email to the purchase cardholder.

Our review of the monthly statements found that the APCs identified 49 issues. We found that AMB maintained documentation for only 33 of the 49 issues. Our analysis can be seen in the chart below:

<b>Type of Issue Identified</b>	<b>Issues Identified</b>	<b>Issues Resolved</b>	<b>Relevant Emails Provided</b>	<b>Cardholder Contacted</b>	<b>Approving Official Contacted</b>
Budget Approval	3	2	3	3	3
Improper Purchase	12	5	6	6	3
Insufficient Supporting Documentation	29	14	22	22	13
Approving Official Signature on Statement	4	2	2	2	2
Missing Approving Official Pre-Approval	1	0	0	0	0
<b>Total</b>	<b>49</b>	<b>23</b>	<b>33</b>	<b>33</b>	<b>21</b>

After we reviewed the monthly statements, we concluded that the APC review of monthly statements was not sufficient to prevent or detect waste, fraud, and abuse because:

- The APC identified one instance of improper payment of taxes. Our review identified 67 instances;
- The APC identified 4 instances of potential split transactions. Our review identified 17 instances;
- The APC identified 4 instances regarding the Approving Official signatures on purchase card statements. Our review identified 28 statements that were not signed by an Approving Official and 29 other statements that were signed by someone other than the Approving Official on AMB’s list;
- The APC identified 29 instances of improper supporting documentation. Our review identified 220 statements that lacked proper supporting documentation for some transactions and 23 statements lacked proper supporting

documentation for all transactions.

We also observed that documentation for the APC's follow-up was not maintained with the monthly statements. Rather, AMB maintained the documentation in the individual employee email accounts.

### ***Declined Transactions***

The NLRB Purchase Card Management Plan states that the inappropriate use of the purchase card is a conduct issue that may result in disciplinary action. This includes the purchase of items for personal use or not for a Government requirement.

The NLRB Purchase Card Guide states that an improper purchase is any purchase that should not have been made under the statutory, contractual, or other legally applicable purchase card regulations. This includes incorrect amounts such as overcharges and undercharges.

To identify potential improper transactions we chose a judgmental sample of 141 declined transactions that occurred on a weekend or Federal holiday, were during the suspension period, or were declined due to a blocked MCC.

<b>Category</b>	<b>Number of Declined Transactions</b>
1 - Not Processed	15
1a - Not a Normal Government Supplier	33
2 - Processed, but not Approved	39
3 - Outside Cardholder's Purview	16
4 - Processed and Approved	38

We observed a number of cardholders with multiple declined transactions in the categories 1 through 3. We found 60 declined transactions that appeared to be attempts at improper use. Some of the more flagrant examples of transactions that appeared to be improper included:

- Two declined attempts on the same day for \$330 each at a church;

- Four declined attempts at a liquor store. The first two attempts were for \$300 each on a Wednesday. The other two attempts were two days later for \$320 each;
- Four declined attempts at a caterer for \$1,750 each. The first two attempts were on a Wednesday. The other two attempts were a day later;
- One declined attempt for \$7.18 at a pharmacy;
- One declined attempt for \$286 at a tanning salon; and
- Two declined attempts at a gas utility, one for \$216.07 and another for 259.09 each in a different month.

***Separated Employees***

The Government Charge Card Abuse Prevention Act of 2012 requires that an agency invalidate the purchase card of each employee who ceases to be employed by the agency, immediately upon termination of the employment of the employee. OMB Circular A-123, Appendix B requires that each agency establish a control to ensure that card accounts are canceled when the employee retires or leaves the agency.

We identified 15 cardholders that separated from the Agency. For 9 of the 15 separated cardholders, it took more than 5 days to invalidate the purchase card:

<b>Number of Days to Cancel Purchase Card</b>	<b>Field Office Cardholders</b>	<b>Headquarters Cardholders</b>
Before Separation	1	2
On the Day of Separation	0	0
1-5 Days after	1	2
6-10 Days after	0	0
11-15 Days after	1	0
16-30 Days after	1	1
More than 30 Days after	5	1

We also determined that that only 6 of 15 separations had documentation of the destruction of the purchase card:



	<b>Documentation that Card was Shredded</b>	
	<b>Yes</b>	<b>No</b>
Field Office	6	3
Headquarters	0	6

*Recommendation*

7. The Agency should develop and implement processes and procedures to ensure that purchase cards are cancelled when cardholders separate from the Agency.

***Disputed Charges***

The Government Charge Card Abuse Prevention Act of 2012 states that any disputed purchase card charge, and any discrepancy between a receipt and other supporting documentation and the purchase card statement of account, is to be resolved in the manner prescribed in the applicable Governmentwide purchase card contract entered into by the Administrator of General Services.

The Citibank Purchase Card Guide states that all disputes unresolved at the supplier-Cardholder level must be submitted to Citibank within 60 days of receipt of the invoice on which the charge(s) first appeared. After 60 days, the right to dispute a charge may be relinquished.

The NLRB Purchase Card Guide states that when a purchase cardholder determines that there is a discrepancy in their monthly billing statement, the purchase cardholder should immediately resolve the discrepancy with the vendor. If the purchase cardholder is unable to resolve the discrepancy, the purchase cardholder must complete a Citibank Government Purchase Card Dispute Form.

From the Citibank Dispute Report, we identified 7 cardholders that had 23 disputed transactions. We observed that 19 of 23 disputed transactions had documentation attached to the monthly statement. We observed, however, that the Citibank Government Cardholder Dispute Form accounted for only 2 of 19 attachments to the monthly statements:

<b>Type of Documentation</b>	<b>Number of Disputes</b>
Citibank Government Dispute Form	2
Memorandum	13
Response Letter from Citibank Bank	1
Email confirmation	3

From our review of the disputed transaction report, we found that all disputed charges listed on the Transaction Dispute Report were filed by cardholders within 60 days of the purchase card statement. Additionally, all 23 disputed transactions were all resolved. Three disputes totaling \$188.45 were settled in favor of the merchant and the remaining 20 disputes were settled in favor of the cardholder.

From our review of the monthly statements we determined that the Transaction Dispute Report did not list all of the purported disputed charges. We observed that there was at least one disputed charge that was not captured in the Transaction Dispute Report. Although the dispute was documented in the statement reconciliation, there was no documentation that the dispute was sent to or acknowledged by Citibank. When we contacted the cardholder it was explained that there was an oversight and the cardholder did not follow up on this dispute. The amount of the disputed transaction was \$80.35.

### ***Altered Orders***

The NLRB Purchase Card Management Plan states that altered orders are purchases that do not match the original request and include altered invoices, dates or dollar amounts, handwritten invoices, and invoices typed in the body of an email rather than as an attachment. The NLRB Purchase Card Guide states that any alteration of vendor invoices or store sales receipts, handwritten invoices or sales receipts are prohibited actions.

We found 17 invoices that were altered:

Observation and Effect of Alteration	Number of Altered Orders	Invoice or Store Sales Receipt Attached?	
		Yes	No
<b>Alteration Decreased Amount Owed</b>			
Documentation included taxes that the Agency did not pay	5	3	2
Documentation did not include discount	1	0	1
Documentation included charges that the Agency did not pay	1	1	0
<b>Alteration Increased Amount Owed</b>			
Documentation did not include all items purchased	1	0	1
Documentation did not include service fee	2	1	1
<b>Alteration Inserted Amount Owed</b>			
Documentation did not include cost of purchase	7	0	7

We also observed that one contracting officer and the APC submitted altered documentation.

*Recommendation*

8. We recommend that AMB develop procedures to ensure that purchase cardholders and approving officials follow existing Agency policies and procedures regarding the type of supporting documentation that is acceptable for statement reconciliations.

**Payments**

OMB Circular A-123, Appendix B states that charge card managers are responsible for ensuring that payments are on time and that all relevant Prompt Payment Act requirements are met. Where the agency is responsible for making payments to the charge card vendor, charge card managers are required to:

- Establish a process, with strict internal controls, to ensure that all charges and payments are timely, accurate, and appropriate; and

- Contact appropriate personnel (including Agency/Organization Program Coordinator, Approving Officials, or other accountable/billing officials) to ensure that delinquent payments are addressed and corrective actions are taken to prevent further occurrence.

When we interviewed Finance Branch personnel, we were told that the NLRB does not have documented procedures for purchase card payments, tracking refunds or disputed charges, or identifying duplicate payments.

### ***Rebates***

The Government Charge Card Abuse Prevention Act of 2012 states that charge card rebates and refunds based on prompt payment, sales volume, or other actions by the agency on purchase card accounts are to be reviewed for accuracy and properly recorded as a receipt to the agency that made the payment. The NLRB Purchase Card Management Plan states that the APC will work together with the Designated Billing Officer to ensure that all refunds are collected in a timely manner to maximize the effectiveness of the Purchase Card Program.

Because the NLRB financial system did not record collections prior to FY 2016, we reviewed the rebates for FY 2016 and found the following:

- The Agency received a rebate in each quarter during FY 2016;
- The rebates were deposited to the proper fund;
- All of the refunds were properly recorded as “Miscellaneous Receipts;” and
- Three of the four rebate checks were recorded in the financial system within 26 days of receipt. The fourth check, however, was not recorded in the financial system until 229 days after it was received.

### ***Sales and Local Taxes***

OMB Circular A-123, Appendix B states that the Federal Government is not liable to pay taxes to State and local

governments, and any such taxes paid must be recovered. In instances where the tax-exempt status is not recognized at the point of sale, agencies should work with their charge card merchants and state or local authorities to accomplish tax recovery.

The NLRB Purchase Card Management Plan states that if the purchase cardholder can determine a sales tax charge from the original invoice or receipt, the tax should be disputed if the vendor will not agree to refund the tax amount.

The Agency paid and did not recover state and local taxes in the amount of \$1,461.15 from 43 transactions. We found that cardholders attempted to recover the state and local taxes in 4 of the 43 transactions, but then did not follow up with the merchants when the credit was not received. The remaining 39 transactions did not have documentation disputing the state and local taxes:

Type of Taxes Paid	Tax Paid		Tax Recovered		Tax not Recovered	
	Number of Transactions	Amount Paid	Number of Transactions	Amount Paid	Number of Transactions	Amount Paid
Sales	43	\$755.07	24	\$458.35	19	\$296.72
Parking	19	\$1,115.11	0	\$0.00	19	\$1,115.11
Others	5	\$49.32	0	\$0.00	5	\$49.32
Total	67	\$1,919.50	24	\$458.35	43	\$1,461.15

***Telephone and Internet Charges for Work-at-Home (WAH) Employees***

Public Law 104-52 authorizes Federal agencies to use appropriated funds to install telephone lines and “necessary equipment” and to pay monthly charges in any residence of an employee authorized to work at home, provided that the agency head “certifies that adequate safeguards against private misuse exist, and that the service is necessary for direct support of the agency’s mission.”

The Agency’s documentation did not address the Agency’s reimbursement of an employee who teleworks for internet and/or phone services. The documentation also did not establish the requisite safeguards the Agency must have in place to prevent private misuse when reimbursing an employee who is teleworking for internet and/or telephone service.

During the scope, the Agency paid telephone and internet charges for 21 WAH Administrative Law Judges and 8 Resident Agents. The following issues were identified:

- For one employee, the Agency paid 60 percent of the total invoice amount, which included TV charges, taxes, and surcharges;
- For two employees, the Agency paid a percentage of a bundled fee, which included TV, telephone, and internet;
- For two employees, the Agency paid the Service Protection Fee;
- For four employees, the Agency paid taxes and surcharges; and
- For 15 employees, the Agency paid 100 percent of the internet use.

This matter was referred for investigation. The investigation substantiated an Antideficiency Act violation. During the course of the investigation the Agency developed and implemented appropriate policies to permit the use appropriated funds reimbursement of an employee who teleworks for internet and/or phone services.

## **APPENDIX**



UNITED STATES NATIONAL LABOR RELATIONS BOARD  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
ACQUISITIONS MANAGEMENT BRANCH

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August 7, 2018

TO: David P. Berry  
Inspector General

FROM: Beth Tursell  
Acting Chief Financial Officer

SUBJECT: Response to Report No. OIG-AMR-80-XX-XX Purchase Card

The National Labor Relations Board (NLRB) Office of the Chief Financial Officer (OCFO) has reviewed Report No. OIG-AMR-80-XX-XX Purchase Card and concurs with the report's findings and recommendations. The OCFO's responses to each of the areas of concern are provided below.

**Compliance with Governmentwide Policies**

The 2017 submission of the Purchase Card Management Plan did not meet all the requirements for the narrative report. It failed to include the following: dates of the most recent and next scheduled independent review for all charge card programs; a description of the current process for monitoring delinquency; and future enhancement plans. The NLRB concurs with the findings as stated. The Agency Program Coordinator (APC) for the Purchase Card Program is revising the Management Plan to meet new program requirements and further expound on monitoring the charge card programs outlined in the new Charge Card Program Policy; to be released with the transition into the GSA SmartPay 3 Program, November 2018.

Deficiencies found in the December 2014 and April 2015 Management Plans were not corrected in the last update of the plan in January 2017. The plan failed to meet the following OMB Circular A-123, Appendix B requirements: 1. Element 4 (Training) – failure to describe training requirements for the APC; 2. Element 6 (Authorization Controls) – failure to ensure that funds were available for transactions prior to purchase; 3. Element 8 (Reports for Monitoring) – failure to describe how reports were going to be utilized to monitor delinquency, misuse, performance metrics, spend analysis, and other transaction/program management issues; 4. Element 9 (Documentation and Record Retention Requirements) – failure to describe how documentation of the appointment of program participants will be maintained, and the failure to include a timeframe for retention of reconciliation statements in the plan. The NLRB concurs with the findings as stated. The revised Management plan will adequately address each deficient element providing extensive details as to how the program will be managed and monitored.





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**Compliance with the Government Charge Card Abuse Prevention Act of 2012**

<b>Government Charge Card Abuse Prevention Act of 2012 Section</b>	<b>OIG Description of Internal Control</b>	<b>Control Description</b>	<b>Instances of Non-Compliance</b>	<b>NLRB Concurrence</b>
§ 1909.2.a.1	Master File Maintenance	There is a record in each executive agency of each holder of a purchase card issued by the agency for official use, annotated with the limitations on single transactions and total transactions that are applicable to the use of each such card by that purchase cardholder.	While the monthly and single purchase limits were generally documented in the Agency's files, 38 percent of the monthly purchase limits and 97 percent of single purchase limits in Agency records were not current.	The NLRB concurs with the findings.
§ 1909.2.a.2	Approving Official Review	Reconciling the charges appearing on each statement of account for that government charge card with receipts and other supporting documentation.	15 percent of available statements for Regional cardholders and 47 percent of available statements for Headquarters cardholders did not have supporting documentation for all transactions on the statements.	The NLRB concurs with the findings.
§ 1909.2.a.7	Approving Official Review	Records of each purchase card transaction (including records on associated contracts, reports, accounts, and invoices) are retained in accordance with standard government policies on the disposition of records.	15 percent of statements from Regional cardholders and 47 percent of statements from Headquarters cardholders lacked records for at least some of the transactions on those statements.	The NLRB concurs with the findings.



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§ 1909.2.a.8	Monitoring Single / Monthly Purchase Card Limit	Periodic reviews are performed to determine whether each purchase cardholder has a need for the purchase card.	There was no documentation that the Agency reviewed the need for employees to have a purchase card.	The NLRB concurs with the findings.
§ 1909.2.a.9	Training	Appropriate training is provided to each purchase cardholder and each official with responsibility for overseeing the use of purchase cards issued by the executive agency.	Only 73 percent of people listed as Approving Officials by AMB or that signed as an Approving Official had completed all required Skillport training. One of the three APCs did not complete training.	The NLRB concurs with the findings.
§ 1909.2.a.11	Monitoring Purchase Card Use	The executive agency uses effective systems, techniques, and technologies to prevent or identify illegal, improper, or erroneous purchases.	The APC did not properly maintain records of online reports used to identify misuse.	The NLRB concurs with the findings.
§ 1909.2.a.12.A	Cancellation of the Purchase Card	Ceases to be employed by the agency, immediately upon termination of the employment of the employee; or	Only 20 percent of purchase cards were cancelled on or before the day of separation. 40 percent of purchase cards were not cancelled until more than 30 days after separation.	The NLRB concurs with the findings.
§ 1909.2.a.13	Monitoring Purchase Card Use	The executive agency takes steps to recover the cost of any illegal, improper, or erroneous purchase made with a purchase card by an employee, including as necessary through salary offsets.	The APC was not documenting follow-up on potential problems identified in the reports.	The NLRB concurs with the findings.



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§ 1909.2.c.1	Monitoring Purchase Card Use	The head of each executive agency shall provide for appropriate adverse personnel actions or other punishment to be imposed in cases in which employees of the agency violate agency policies under the guidance required by subsection (b) or make illegal, improper, or erroneous purchases with purchase cards.	The APC was not documenting follow-up on potential problems identified in the reports.	The NLRB concurs with the findings.
§ 1909.2.c.2	Monitoring Purchase Card Use	Penalties prescribed for employee misuse of purchase cards that include dismissal of the employee, as appropriate.	The APC was not documenting follow-up on potential problems identified in the reports.	The NLRB concurs with the findings.



## **Administration of Purchase Card Program**

### *Master File Maintenance*

Nomination requests for 111 of the 114 master files reviewed were not maintained. 86 active accounts reviewed did not have monthly / single purchase limits documented. Changes to monthly / single purchase limits were not documented in the master file. 12 Section 508 training certificates were not maintained in the master file. The NLRB concurs with the findings as stated. As a part of the revamping of the program, the APC will ensure procedures are documented and the master files meet the legal and regulatory requirements of the SmartPay 3 program.

### *Training*

The Office of Employee Development (OED) training for APCs did not cover proper management control and oversight tools and techniques or the purchase card vendor's Electronic Access System. The GSA training for APCs covers what the OED training fails to; however, there was no documentation that APCs completed the GSA APC training. The Agency did not always meet the stated requirements for new cardholders to complete training prior to appointment. In addition, the Agency did not meet its requirements for Approving Officials and Approving Official Designees to complete the OED training. The NLRB concurs with the findings as stated. As a part of training requirements in GSA SmartPay 3 program the APC will ensure training meets all of OMB's requirements as well as ensure documentation is kept for APCs, Approving Officials, and Cardholders.

### *Segregation of Duties*

While the Agency has policies regarding the segregation of functions within the program, there were three instances in which segregation of duties was not maintained: 1) At various times, the APC was the Approving Official for AMB purchase cardholders; 2) Two employees were simultaneously both Approving Officials and purchase cardholders; and 3) The APC maintained a purchase card during the entire scope period. The NLRB concurs with the findings as stated. The APC has resolved the issue of the two employees simultaneously being Approving Officials and cardholders. Due to being short staff the APC will remain the Approving Official for AMB purchase cardholders; and does not maintain a purchase card. Once AMB backfills the Deputy Director position the APC will no longer be the Approving Official.

## **Oversight of Purchase Card Use**

There were no documented processes to reserve funds for purchase cards in the NLRB Purchase Card Management Plan. 30 of 84 transactions reviewed did not have the required Form NLRB-13 attached. Of the remaining 54, 7 transactions were signed by the Approving Official after the Citibank Transaction Date; 12 transactions were signed by the Budget Branch after the Citibank Transaction Date; and 2 transactions possessed incomplete forms.



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During September 4, 2015 through January 12, 2016 90 purchase cards should have had Merchant Category Codes (MCCs) blocked during the suspension period. There was no documentation the MCCs were blocked during this period. 368 declined transactions occurred during this period; 7 transactions were processed during the suspension period after being declined; 3 transactions were processed without being declined initially. Documentation was not available as to what the requirement for preauthorization from the Budget Branch.

In addition, 70 transactions totaling \$93,055.30 met the definition of a split transaction. In the Field, 93% of transactions reviewed were not pre-approved by the Approving Official. While 83% of Headquarters transactions reviewed were not pre-approved by the Approving Official.

The NLRB concurs with the findings as stated. The APC is currently developing processes and procedures for the new reconciliation process all cardholders will be required to do under the SmartPay 3 Program. The new process is 100% electronic and requires both the Approving Official and the cardholder to go into the bank tool to review, approve, and classify transactions. Cardholders will be able to upload supporting documentation into the bank tool as each transaction appears versus the current manual reconciliation process used today. In addition, the APC is developing a pre-purchase approval form that will be required by both the Field and Headquarters cardholders to complete. This form will address: government need, funds availability, and split transactions. 100% compliance reviews will be conducted monthly initially after implementation to ensure cardholders and Approving Officials are in compliance.

### **Review of Reports**

The following was observed during the scope of the audit period: 1) the APC identified issues in 14 of the 29 online reports; 2) the APC did not always document follow-ups on potential problems identified; and 3) the APC provided improper advice to a cardholder. The APC's review of monthly statements was not sufficient to prevent or detect waste, fraud and abuse. Declined transactions were not reviewed and handled properly by the APC. Significant declined transactions included: 2 declined transactions on the same day for \$330 each at a church; 4 declined transactions were at a liquor store for a total of \$1240; 4 declined transactions were at a caterer for \$1750 each. The APC failed to close out separated employee's accounts in a timely manner after notification of separation.

The NLRB concurs with the findings as stated. The APC will identify reports to be reviewed and analyzed within the Management Plan, in addition to providing information on how often reports are to be run, documenting problems and follow ups, and what action is to be taken.

### **Disputed Charges and Altered Orders**

Only two transactions contained the Citibank Government Cardholder Dispute Form attached to the monthly statement. It is of note that the Transaction Dispute Report did not list all of the purported disputed charges. 17 invoices submitted were altered by the cardholder which includes



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1 Contracting Officer and the APC. The NLRB concurs with the findings as stated. The APC will expound on Disputed Charges and Altered Orders within the policy and will develop procedures to ensure that cardholders and Approving Officials are in compliance.

**Payments**

When interviewed, the Finance Branch personnel stated that the NLRB does not have documented procedures for purchase card payments, tracking refunds or disputed charges, or identifying duplicate payments. The NLRB concurs with the findings as stated. Within the new policy the APC will outline the process and procedures for making payments, tracking refunds or disputed charges, or identifying duplicate payments.

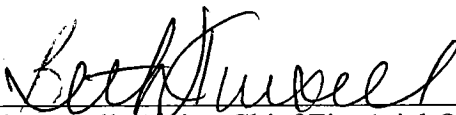
**Rebates**

One of the four rebate checks were not recorded in the financial system until 229 days after it was received. The NLRB concurs with the findings as stated. The APC will continue to work with the Designated Billing Officer to ensure refunds are collected and recorded in a timely manner. The APC will also document the collaboration between the APC and Designated Billing Officer regarding the collection and recording of rebates.

**Sales and Local Taxes**

The Agency paid and did not recover state and local taxes in the amount of \$1,461.15 from 43 transactions. Four of the transactions the cardholder attempted to recover state and local transactions; however, the cardholders did not follow up with the merchants when credit was not received. The remaining 39 transactions did not have documentation disputing state and local taxes. The NLRB concurs with the findings as stated. The APC will develop procedures as to how taxes should be recovered, follow-up procedures, and documentation requirements to be included in the new policy.

Once report no. OIG-AMR-80-XX-XX Purchase Card is finalized and officially issued to the NLRB, my office will develop a Corrective Action Plan to assist in tracking the Agency's progress in addressing the findings and recommendations outlined within. Please contact me if you have any questions regarding this response.

  
Beth Tursell, Acting Chief Financial Officer