

Bureau of Consumer Financial Protection

Bureau Purchase Card Program Controls Appear to Be Operating Effectively



Office of Inspector General
Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection



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Executive Summary, 2018-FMIC-C-022, December 12, 2018

Bureau Purchase Card Program Controls Appear to Be Operating Effectively

Finding

The Bureau of Consumer Financial Protection's (Bureau) purchase card program controls appear to be operating effectively to ensure that purchase card use is appropriate and in compliance with applicable laws, regulations, and the Bureau's policies and procedures. In addition, the controls appear to be operating effectively to prevent and detect potentially improper or fraudulent use of purchase cards. The Bureau's Office of Procurement has established effective controls to minimize risk within the purchase card program, and the Agency/Organization Program Coordinator's oversight of the program helps to ensure compliance with applicable laws, regulations, policies, and procedures.

Recommendations

We are not making recommendations in this report. In its response to our draft report, the Bureau states that it is pleased with our finding and that it is committed to maintaining effective controls in the purchase card program.

Purpose

Our objective was to assess whether the controls for the Bureau's purchase card program were adequate (1) to ensure that purchase card use is appropriate and in compliance with applicable laws, regulations, and the Bureau's policies and procedures and (2) to prevent and detect improper or fraudulent use of purchase cards. The scope of our audit covered April 1, 2017, through June 30, 2018.

Background

The Bureau developed the purchase card program to support its purchasing needs and to reduce the administrative cost of purchasing small-dollar items. The Bureau participates in the General Services Administration's SmartPay 2 purchase card program through a task order with the U.S. Department of the Treasury's master contract with Citibank. The Office of Procurement is responsible for managing the operation of the purchase card program and ensuring that the program complies with applicable laws, regulations, policies, and procedures.



Recommendations, 2018-FMIC-C-022, December 12, 2018

Bureau Purchase Card Program Controls Appear to Be Operating Effectively

Number	Recommendation	Responsible office
No recommendations.		



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

MEMORANDUM

DATE: December 12, 2018

TO: David Gragan
Chief Procurement Officer
Bureau of Consumer Financial Protection

FROM: Timothy Rogers *Timothy Rogers*
Acting Associate Inspector General for Audits and Evaluations

SUBJECT: OIG Report 2018-FMIC-C-022: *Bureau Purchase Card Program Controls Appear to Be Operating Effectively*

We have completed our report on the subject audit. We conducted this audit to assess whether the controls for the Bureau of Consumer Financial Protection’s purchase card program were adequate (1) to ensure that purchase card use is appropriate and in compliance with applicable laws, regulations, and the Bureau’s policies and procedures and (2) to prevent and detect improper or fraudulent use of purchase cards.

We provided you with a draft of our report for review and comment. In your response, you state that you are pleased with our finding and that you are committed to maintaining effective controls in the purchase card program. We have included your response as appendix B to our report.

We appreciate the cooperation that we received from the Office of the Chief Procurement Officer during our audit. Please contact me if you would like to discuss this report or any related issues.

cc: Katherine Fulton, Acting Chief Operating Officer and Deputy Chief of Staff



Contents

Introduction	6
Objective	6
Background	6
Controls Over the Purchase Card Program	7
Laws, Regulations, and Guidance	8
Finding: Purchase Card Program Controls Appear to Be Operating Effectively	9
Appendix A: Scope and Methodology	11
Appendix B: Management’s Response	14
Abbreviations	15



Introduction

Objective

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act)¹ requires Offices of Inspector General to conduct periodic audits or reviews of charge card programs. Our last audit of the Bureau of Consumer Financial Protection's (Bureau) purchase card program was in 2013.² The objective of this audit was to assess whether the controls for the Bureau's purchase card program were adequate (1) to ensure that purchase card use is appropriate and in compliance with applicable laws, regulations, and the Bureau's policies and procedures and (2) to prevent and detect improper or fraudulent use of purchase cards. The scope of our audit covered April 1, 2017, through June 30, 2018. Details of our scope and methodology are in appendix A.

Background

The Bureau developed the purchase card program to support its purchasing needs and to reduce the administrative cost of purchasing small-dollar items. The Bureau participates in the General Services Administration's (GSA) SmartPay 2 purchase card program through a task order with the U.S. Department of the Treasury's master contract with Citibank. The U.S. Department of the Treasury's Bureau of the Fiscal Service, Administrative Resource Center (BFS ARC) provides the Bureau with purchase card administrative services through an interagency agreement. Specifically, BFS ARC submits Bureau employees' purchase card applications to Citibank, processes purchase card payments, closes accounts, and acts as the liaison between the Bureau and Citibank.

The Bureau's Office of Procurement (Procurement) is responsible for managing the operation of the purchase card program and ensuring that the program complies with applicable laws, regulations, policies, and procedures. Procurement also monitors the purchase card program's effectiveness as a payment vehicle while working to ensure that the proper controls are in place.

Procurement designated an Agency/Organization Program Coordinator (A/OPC) who is responsible for overseeing the purchase card program and for ensuring that management controls are followed. In addition, all cardholders report to one of the Bureau's approving officials (AO), who are responsible for reviewing and approving all cardholder transactions to ensure they are legal, proper, and in accordance with Bureau policy.

As of December 31, 2017, the Bureau had 300 active cardholders classified as either flagship cardholders or mobile workforce cardholders. Flagship cardholders are employees who procure goods for their division or regional office, or for the entire agency, and generally have a single-purchase limit of \$3,500. Some flagship cardholders are also contracting officers who have higher limits based on their needs. Mobile workforce cardholders are employees who work across the country and purchase their own office

¹ The Government Charge Card Abuse Prevention Act, Pub. Law No. 112-194, 126 Stat. 1445 (2012).

² Office of Inspector General, *Opportunities Exist for the CFPB to Strengthen Compliance with Its Purchase Card Policies and Procedures*, [OIG Report 2013-AE-C-015](#), September 30, 2013.

supplies for their home offices and examination worksites; they generally have a single-purchase limit of \$200. From April 1, 2017, through June 30, 2018, 131 Bureau purchase cardholders made approximately 4,200 transactions totaling about \$2.7 million.

Controls Over the Purchase Card Program

To minimize risk within its purchase card program, Procurement has instituted a number of controls. Procurement requires all purchase card program participants to comply with GSA SmartPay training requirements. These requirements specify that program participants complete training prior to appointment as an A/OPC, an AO, or a cardholder, and complete refresher training every 3 years. Procurement also sets a low-dollar credit limit for each of its mobile workforce cardholders, restricts the number of allowable merchant category codes (MCCs) for all cardholders,³ limits the use of convenience checks to contracting officers,⁴ and limits transactions with third-party vendors to contracting officers.⁵

In addition, the A/OPC is required to conduct monthly, quarterly, and semiannual reviews of the program. BFS ARC also conducts an annual review, on which the A/OPC takes action as necessary. Table 1 summarizes the oversight of the purchase card program.

³ According to the GSA SmartPay 2 glossary, an MCC is a four-digit code used to identify the type of business a merchant conducts (for example, gas stations, restaurants, airlines). The merchant selects its MCC with its bank based on its primary business. Agencies can block or flag MCCs to guard against unallowable charges.

⁴ Convenience checks are issued by Citibank to purchase cardholders. The Bureau limits the use of convenience checks to purchase cardholders who are also Bureau contracting officers. The use of convenience checks is limited to cases in which the vendor or merchant does not accept a purchase card or other form of payment.

⁵ Cardholders are prohibited from using third-party vendors, such as Amazon, eBay, Google Checkout, or PayPal, because purchasing through such vendors masks the item(s) purchased and circumvents the blocking of merchant category codes. Purchases that must be made from a third-party vendor can only be completed by purchase cardholders who are also contracting officers.

Table 1: Purchase Card Program Oversight

Frequency	Responsible party	Description
Monthly	A/OPC	Reviews cardholders against a human capital employee report to ensure that cardholders are active employees.
Quarterly	A/OPC	Reviews card limits, MCCs, taxes paid, training documentation, and transactions for prohibited purchases and split transactions.
Semiannually	A/OPC	Tests a random sample of transactions for the required documentation, including purchase card logs, invoices, proofs of receipt, approvals, taxes paid, and mandatory source justifications.
Annually	BFS ARC	Reviews credit usage and identifies cardholders who are not spending up to their limit.
Annually	A/OPC	Follows up on the BFS ARC credit usage review and takes corrective action, including adjusting cardholders' spending limits, as necessary.

Source. OIG summary of Bureau purchase card program oversight.

Laws, Regulations, and Guidance

The Bureau's purchase card program is subject to laws, regulations, and guidance, including the following:

- The Charge Card Act, dated October 2012, requires that agencies with employees who use purchase cards and convenience checks establish and maintain safeguards and internal controls to ensure the proper, efficient, and effective use of purchase cards and convenience checks.
- The *Federal Acquisition Regulation* (FAR) is the primary regulation guiding federal executive agencies in their acquisition of supplies and services and provides uniform acquisition policies and procedures with which most federal agencies must comply. Part 13 of the FAR establishes criteria for using purchase cards to place orders and make payments. Although the Bureau has determined that it is not required to follow the FAR in its entirety, the agency has made a policy decision to conduct its procurements in accordance with the FAR.
- The Bureau's *Purchase Card Policy and Management Plan*, dated July 2014,⁶ provides guidance on the proper use of the purchase card and outlines specific responsibilities for cardholders, AOs, and the A/OPC.

⁶ The Bureau's *Purchase Card Policy and Management Plan* was revised in June 2018.



Finding: Purchase Card Program Controls Appear to Be Operating Effectively

The Bureau’s purchase card program controls appear to be operating effectively to ensure that purchase card use is appropriate and in compliance with applicable laws, regulations, and the Bureau’s policies and procedures. In addition, the controls appear to be operating effectively to prevent and detect potentially improper or fraudulent use of purchase cards. Procurement has established effective controls to minimize risk within the purchase card program, and the A/OPC’s oversight of the program helps to ensure compliance with applicable laws, regulations, policies, and procedures. For example, program participants were trained as required, and all sampled cardholder purchases and convenience checks generally complied with Bureau policy. Additionally, the A/OPC’s reviews appear to be effectively detecting potentially split purchases, payments of sales tax, third-party transactions, and the use of unallowable MCCs. The A/OPC addresses these transactions with cardholders as appropriate. Further, the A/OPC ensured that all purchase cards were closed timely after employee separations. Details of our results are summarized in figure 1.

Figure 1: Test Results and Details



Program participants complied with GSA SmartPay training requirements.

The A/OPC, 42 AOs, and a statistical sample of 35 of 300 cardholders met training requirements during the scope of our review.



Purchases generally complied with Bureau policy.

A statistical sample of 52 of 3,866 transactions were approved, from proper sources, recorded on purchase card logs, and supported by receipts and proof of delivery.



Convenience checks were used in compliance with Bureau policy.

Contracting officers used all 73 convenience checks in compliance with Bureau policy. Specifically, convenience checks were used only when vendors would not accept other forms of payment. Convenience checks were recorded on convenience check logs and supported by required documentation, including invoices and purchase request forms. Additionally, contracting officers obtained applicable approvals beforehand.



Split purchases were detected and addressed with cardholders.

The A/OPC effectively detected potential split purchases and followed up with the appropriate cardholders. Two of the purchases were confirmed as split, and the A/OPC counseled those cardholders.



Sales taxes paid were detected and refunded.

The A/OPC detected all 29 transactions with sales tax and acted to have the taxes refunded, as required by Bureau policy. Of the approximately \$772 paid in sales tax, as of November 8, 2018, \$688 was refunded or credited, \$1 was written off, and \$83 remained outstanding.



Third-party transactions were detected and addressed with cardholders.

The A/OPC detected all 7 third-party transactions made by cardholders that were not contracting officers. The A/OPC followed up with the relevant cardholders and counseled them, as appropriate.



Transactions on unallowable MCCs were preapproved.

The A/OPC preapproved all 128 transactions with MCCs not on the allowable MCCs listing. Documentation supports that the A/OPC temporarily unblocked these MCCs for the specific, approved purchases.



Purchase cards were closed timely after separation.

Thirty-eight purchase cards were closed due to the separation of cardholders from the Bureau. Of those, 35 cards were closed before the employee separated. The remaining 3 cards were closed after the cardholders' separation due to special circumstances. In addition, purchases were not made on closed accounts.

Source. OIG analysis.

Management's Response

In its response to our draft report, the Bureau states that it is pleased with our audit finding and that it is committed to maintaining effective controls in the purchase card program.



Appendix A: Scope and Methodology

Our objective was to assess whether the controls for the Bureau's purchase card program were adequate (1) to ensure that purchase card use is appropriate and in compliance with applicable laws, regulations, and the Bureau's policies and procedures and (2) to prevent and detect improper or fraudulent use of purchase cards. The scope of our audit covered April 1, 2017, through June 30, 2018.

To accomplish the first part of our objective, we conducted tests to determine whether controls were adequate to ensure that purchase card use was appropriate and in compliance with applicable laws, regulations, and the Bureau's policies and procedures. Where sampling was used, we selected a statistical sample so that the results can be projected to the intended population. Our tests included the following:

- **Program oversight.** We reviewed the A/OPC's 15 monthly, 5 quarterly, and 3 semiannual reviews within our scope to confirm they contained required elements. We also reviewed the A/OPC's exit checklists for closed purchase cards to confirm that they were completed as required.
- **Cardholder oversight.** We reviewed a BFS ARC activity report to confirm that AOs reviewed and approved all cardholder statements in Citibank within required time frames.
- **A/OPC, AO, and cardholder training.** We obtained and reviewed training records and certificates for the A/OPC, all 42 AOs, and a statistical sample of 35 of 300 cardholders to determine whether controls are in place to ensure compliance with training requirements.
- **Cardholder purchases.** We reviewed supporting documentation for a statistical sample of 52 of 3,866 purchases to determine whether purchases were compliant with Bureau policy.⁷ Specifically, we tested each purchase to determine whether it was supported by a receipt, proof of delivery, a completed purchase card log, documentation of the use of mandatory sources, and proper approvals.⁸
- **Convenience checks.** We reviewed supporting documents for all 73 convenience checks to determine whether contracting officers wrote convenience checks in compliance with requirements. Specifically, we reviewed convenience check logs, invoices, receipts, purchase request forms, and documentation evidencing that the vendors in question would only accept checks. In addition, we confirmed that the Head of Contracting Activity approved convenience checks written for amounts over \$2,500 and that convenience checks written for amounts over \$3,500 were only for contract payments, as required.

⁷ For the purposes of the sample selection, we excluded convenience checks, fees, and refunds from the 4,162 Citibank transactions. We excluded convenience checks because we tested all 73 convenience checks in a separate test, and we excluded all 74 fees and 149 refunds because they would not require the same supporting documentation.

⁸ Cardholders must search mandatory sources, including checking Bureau inventory of supplies and existing Bureau contracts, before making purchases.

To accomplish the second part of our objective, we used data analytics to test all 4,162 Citibank transactions to assess whether controls were operating effectively to prevent and detect improper or fraudulent use of purchase cards. Our tests included the following:

- **Split purchases.** We sorted and grouped all 4,162 Citibank transactions to identify transactions made (1) by the same cardholder, (2) with the same vendor, and (3) with totals greater than the micropurchase threshold⁹ to determine whether cardholders appeared to split purchases into multiple transactions to circumvent the micropurchase threshold. For each of those groups, we reviewed the item descriptions and the timing of the transactions to isolate transactions that appeared to be split. We then compared those transactions to the A/OPC's quarterly reviews to determine whether the A/OPC had identified them as split transactions and, if so, whether the A/OPC followed up with the cardholder.
- **Sales tax.** We filtered the tax field for the 4,162 Citibank transactions to identify transactions with sales tax amounts greater than zero. We then compared those transactions to the A/OPC's reviews to determine whether the A/OPC identified sales taxes paid and whether the A/OPC acted to have the taxes refunded as required by Bureau policy.
- **Third-party transactions.** We filtered the 4,162 Citibank transactions to identify transactions with third-party vendors. We then excluded transactions made by contracting officers because Bureau policy allows contracting officers to make third-party transactions. We compared the remaining 7 transactions to the A/OPC's quarterly reviews to determine whether the A/OPC had identified and followed up with those cardholders.
- **Unallowable MCCs.** We compared all 4,162 Citibank transactions to the Bureau's allowable MCC listing to identify transactions with MCCs that are not on the allowable list, excluding fees and refunds. We then compared all 128 transactions to the A/OPC's quarterly reviews to determine whether all transactions were preapproved.
- **Transactions made by non-Bureau employees.** We compared the 4,162 Citibank transactions to the Bureau's list of active employees and the Bureau's separation data to confirm that all transactions were made by Bureau employees.
- **Transactions above the single-purchase limit.** We compared all 4,162 Citibank transactions to the single-purchase limit for each active cardholder to confirm that no transactions exceeded the cardholder's single-purchase limit.
- **Closure and use of purchase cards after separation.** We compared the Bureau's separation data to the Bureau's card cancellation data to determine whether all 38 separated employees' purchase cards were closed. We also compared the 4,162 Citibank transactions to the Bureau's separation data to determine whether transactions occurred after the card was closed.

⁹ Micropurchases during the scope of our audit were purchases under \$3,500. The micropurchase threshold increased to \$10,000 on September 13, 2018.

- **Multiple purchase cards held by a single cardholder.** We summarized the 4,162 Citibank transactions to identify the cardholders who made purchases on more than one purchase card. For the 8 cardholders with multiple purchase cards, we reviewed supporting documentation to confirm these cards were replacement cards.

We also reviewed FAR part 13, the Charge Card Act, the Bureau's *Purchase Card Policy and Management Plan*, and other relevant documentation pertaining to the Bureau's purchase card program. In addition, we interviewed the Bureau's A/OPC to obtain information on the program operations and internal controls and Bureau contracting officers who wrote convenience checks. We also interviewed the BFS ARC program coordinator to obtain insights into the Bureau's purchase card program.

We obtained purchase card transaction and personnel data from the Citibank system and the Bureau's Office of Human Capital, respectively. For any system to which we did not have direct access, we relied on the Bureau to extract and provide us with the requested documentation. We observed an Office of Human Capital employee extract the requested personnel reports and verified the completeness of the reports we received. In addition, we obtained the BFS ARC annual usage reports and training records from the A/OPC.

We conducted our fieldwork from June 2018 through November 2018. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B: Management's Response

Bureau of Consumer Financial Protection
1700 G Street NW
Washington, D.C. 20552



December 4, 2018

Ms. Cynthia Gray
Senior OIG Manager for Financial Management and Internal Controls
Office of Audits and Evaluations
20th and C Streets, NW
Washington, DC 20551

Dear Ms. Gray:

Thank you for the opportunity to review and comment on the Office of Inspector General's draft report, titled *Purchase Card Program Controls Appear to Be Operating Effectively*. We appreciate the OIG's partnership with the Bureau's Office of Procurement over the course of this audit.

We are pleased that your audit found that the Bureau's purchase card program controls are operating effectively to ensure usage is appropriate and in compliance with applicable laws, regulations, policies, and procedures. Additionally, we are pleased the report found that controls are operating effectively to prevent and detect potentially improper or fraudulent use of purchase cards. The Office of Procurement has worked hard to run a purchase card program with effective controls and we remain committed to continuing an effective controls environment.

Thank you for your review.

Sincerely,

Kate Fulton
Acting Chief Operating Officer

consumerfinance.gov



Abbreviations

AO	approving official
A/OPC	Agency/Organization Program Coordinator
BFS ARC	Bureau of the Fiscal Service, Administrative Resource Center
Bureau	Bureau of Consumer Financial Protection
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
FAR	<i>Federal Acquisition Regulation</i>
GSA	U.S. General Services Administration
MCC	merchant category code
OIG	Office of Inspector General
Procurement	Office of Procurement

Report Contributors

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