



OFFICE OF INSPECTOR GENERAL
AUDIT OF THE GOVERNMENT PURCHASE CARD PROGRAM

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U.S. CONSUMER PRODUCT SAFETY COMMISSION
BETHESDA, MD 20814

Christopher W. Dentel
Inspector General

Tel: 301 504-7644
Fax: 301 504-7004
Email: cdentel@cpsc.gov

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TO : Ann Marie Buerkle, Acting Chairman
Robert S. Adler, Commissioner
Marietta S. Robinson, Commissioner
Elliot F. Kaye, Commissioner
Joseph P. Mohorovic, Commissioner

FROM : Christopher W. Dentel, Inspector General

SUBJECT : Audit of the CPSC's Government Purchase Card Program

The U.S. Consumer Product Safety Commission (CPSC), Office of Inspector General (OIG) conducted an audit of the CPSC's Government Purchase Card (Purchase Card) Program. The objective of the audit was to assess the CPSC's compliance with laws and regulations over the Purchase Card Program, as well as the internal control environment, and management's monitoring and administration of the program.

Overall, we found that the CPSC had made enhancements to the Purchase Card Program since our last audit; however, instances of non-compliance with laws, regulations, CPSC policies and procedures; as well as issues related to ineffective internal controls, remain.

Management has been briefed regarding the findings and recommendations of this audit and given an opportunity to respond to them. Management generally concurred with the findings and either agreed to implement corrective actions regarding these findings or indicated that corrective action was already being taken. Management's written response can be found in its entirety as an attachment to the audit report.

The audit was conducted in accordance with Generally Accepted Government Audit Standards (GAGAS). Should you have any questions, please feel free to contact me.


Christopher W. Dentel
Inspector General

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EXECUTIVE SUMMARY

BACKGROUND

The U.S. Consumer Product Safety Commission (CPSC), Office of Inspector General (OIG) conducted an audit of the CPSC's Government Purchase Card (Purchase Card) Program. The objective of the audit was to assess the CPSC's compliance with laws and regulations over the Purchase Card Program, as well as the internal control environment and management's monitoring and administration of the program. We performed walkthroughs with management and reviewed applicable documentation to gain an understanding of Purchase Card Program and the internal controls in place. Additionally, we obtained and reviewed applicable purchase card laws, regulations, and the CPSC policies and procedures to determine program compliance. Lastly, we reviewed the Fiscal Year (FY) 2014 corrective action plans to assess the remediation efforts made by the CPSC for the findings and recommendations issued in the FY 2012 Purchase Card Audit by the OIG.

The audit was conducted in accordance with Generally Accepted Government Audit Standards (GAGAS). Our audit covered FY 2014 purchase card transactions during the period from September 17, 2013 to October 16, 2014, due to the cycle close date occurring mid-month. We reviewed selected transaction populations to assess the operating effectiveness of internal controls, validity, accuracy, and appropriateness of transactions, and to identify improper, erroneous, and/or fraudulent transactions.

RESULTS OF EVALUATION AND FINDINGS

This report conveys the results of our audit of the CPSC's Purchase Card Program for FY 2014. Overall, we found that the CPSC had made enhancements to the purchase card program since our last audit; however, instances of non-compliance with laws, regulations, the CPSC policies and procedures, as well as ineffective internal controls remain. In summary, our findings include:

1. **Ineffective Internal Controls**

Cardholders and Approving Officials (AO) do not follow the established Purchase Card Program internal controls. We identified internal control weaknesses in multiple areas of the purchase card program, including improper approval of purchases by the AO and Funds Control Officer (FCO), receipt and acceptance performed by the Cardholder for purchases exceeding \$200, and lack of documentation retention.

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Internal
Controls...
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2. **Noncompliance with Laws and Regulations**

The CPSC does not comply with various government-wide laws and regulations applicable to the purchase card. Specifically, we noted noncompliance as follows:

- a) The CPSC cardholders did not comply with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, including Appendix B, *Improving the Management of Government*

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Regulations...
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Charge Card Programs. Specifically, cardholders incurred sales taxes on purchase card transactions and did not recoup the taxes paid from the vendors;

- b) The Division of Financial Services (FMFS) did not comply with the requirements of OMB Circular A-123 for purchase card recovery procedures and internal controls; and
- c) The CPSC had multiple cardholders who initiated split purchases. Instead of detecting and correcting these purchases, AOs authorized the purchases in violation of the Federal Acquisition Regulation (FAR) Part 13, *Simplified Acquisition Procedures*.

3. **Noncompliance with the CPSC Policies and Procedures**

The CPSC did not follow the policies and procedures it put into place to safeguard property. We identified a lack of documentation retention and inaccuracies concerning entries of items procured with the purchase card into the Property Management System (PMS). Furthermore, the CPSC did not follow its own policies requiring the timely review and updating of the CPSC Directives in question.

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4. **Improvement to the Annual Review Process**

The CPSC completed a Purchase Card Annual Review in FY 2014, as required. However, the review process could be improved in the areas of testing documentation, consistency in performing the review, and sample selection.

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MANAGEMENT RESPONSE

Overall, based on the written responses provided by FMFS management, we have concluded that management concurs with our findings and recommendations. Management was given an opportunity to respond formally to this report in writing. FMFS provided the response located at Appendix E.

RESULTS AND FINDINGS

1. Ineffective Internal Controls

Ineffective Internal Controls over the Purchase Card Program

According to OMB Circular A-123, *Management Responsibility for Internal Control*, “management should have a clear, organized strategy with well-defined documentation processes that contain an audit trail, verifiable results, and specify document retention periods so that someone not connected with the procedures can understand the assessment process.” Further, Public Law 112-194, *An Act: To prevent abuse of Government charge cards* states “the head of each executive agency that issues and uses purchase cards and convenience checks shall establish and maintain safeguards and internal controls.”

Therefore, we performed audit procedures over samples of purchase card transactions and attributes to determine whether internal controls in place were operating effectively and in accordance with *OMB Circular A-123*. We found that the internal controls associated with the CPSC Purchase Card Program are not sufficiently monitored, resulting in non-compliance with the CPSC *Government wide Commercial Purchase Card Program*, Directive 1540.1, and *Purchase Card Handbook*, Directive 1540.1a. Additionally, FMFS made changes to the purchase card process and did not provide updated guidance to Cardholders in a timely manner. Inadequate monitoring of the program has led to internal control weaknesses. These weaknesses can lead to an unstable internal control environment susceptible to fraudulent transactions being made and/or approved by Cardholders and AOs. Fraudulent or unauthorized purchase card charges also have a negative impact on the spending authority of the CPSC and are reportable offenses. The following identifies the exceptions noted:

A. Purchase Card Approving Officials must approve all purchases, over the amount of \$200, prior to purchase by the Cardholder (Directive 1540.1a§ 7.1.5, March 2013).

- In two instances, Cardholders made purchases without proper approval from the AO. The purchases included the cost of freight, which was not included in the initial quote approved by the AO. The AO eventually approved the transaction electronically in US Bank following the purchase.
- An inappropriate transaction for the auto-renewal of a subscription occurred and recovery of the payment did not occur. The AO elected not to dispute the purchase and later approved the charge.
- Communication with a Cardholder concerning one transaction revealed the AO verbally approved the transaction, which is not in accordance with the CPSC Purchase Card Handbook. The Handbook requires prior documented written approval, which the AO did not provide.
- During review of credits issued, one transaction was found that did not contain an approval for the initial purchase. The purchase involved a training course that was later cancelled by

the attendee, who was also the Cardholder. The documentation provided gave the appearance that the training was booked prior to receiving proper approval from the AO.

- B. *Cardholders must receive approval from the Funds Control Officer for all purchases over the amount of \$200, confirming that there are adequate funds available for use (Directive 1540.1a§. 7.1.4, March 2013).*
- The Cardholders and the FCO for the organization was the same individual in eight transactions. However, when an employee functions in both capacities (a situation that exists in a number of offices within the CPSC), there is currently no specific guidance on what the employee should do. Thus, creating an environment that inherently increases the risk that Cardholders with FCO responsibilities could circumvent internal controls.
 - For two transactions, someone other than the FCO approved the funds available for purchase.
 - In one transaction, the FCO did not approve the transaction properly prior to purchase. Therefore, the Cardholder did not have confirmation of funds availability prior to purchase.
- C. *Receipt and acceptance must be performed by an independent third party when the purchase is above \$200 (Directive 1540.1a§. 7.1.8, March 2013).*
- Three transactions did not have the required third party independent receipt documentation.
- D. *The cardholder retains complete documentation, including sales receipts, charge stubs, monthly statements and order logs in a purchase card procurement file, for 3 years after payment is made (Directive 1540.1a§. 7.1.10. March 2013).*
- At the end of FY 2013, FMFS moved to an automated document review and approval process within the US Bank web application – Access Online. Prior to the move, approvals were documented on order logs maintained by the office and on the hardcopy US Bank charge card monthly statement. Insufficient documentation was retained in each of the following instances:
 - Four purchases greater than \$200 lacked documentation of the AO's approval prior to the purchase being made.
 - Three purchases greater than \$200 lacked the FCO's approval which indicates availability of funds prior to a purchase.
 - Sixteen purchases were missing documentation of third-party receipt and acceptance.

- Nine purchases for which the sales receipt documentation was not provided. Final approval for all transactions was made within Access Online following the purchase.
- Forty purchases for which the monthly statement was not provided. Some cardholders indicated that they maintained their monthly statement through Access Online. However, Access Online only provides access to transaction information to Cardholders for a 24-month period which does not meet the CPSC's requirement that the information be available for three years after purchase.
- Four purchases for which the order log was not provided. These transactions took place in 2013, when the requirement to maintain the order log was still in effect.
- Two purchases where monthly certification by the Cardholder was not provided. These transactions took place in 2013, when the requirement for the Cardholder to certify the monthly statement was still in effect.
- For one purchase, the cardholder made multiple purchases for training, on the same day, for the same amount, from the same vendor. The Cardholder was not able to provide sufficient documentation to support this transaction because he did not maintain the proper invoices from the vendor.
- During our review of split purchases we found that one sample contained purchases from the same vendor, on the same day, which exceeded the micro-purchase limit; however, documentation was not provided to support the validity of the transactions.

E. *By the 24th of the month, or next working day, the AO should approve the purchases by the Cardholder in the US Bank Online Access System. An AO may appoint an Approving Official Designee to perform this function in their absence. The Designee must be from the same Business Organization as the PC Approving Official and must be a PC Approving Official for a group of Purchase Cardholders (Directive 1540.1a§. 8.2.4, March 2013).*

- In twenty-two transactions the performance of the monthly approval of purchases and associated reconciliation did not occur by the 24th of the month, as required.
- A FMFS staff member other than the AO approved one transaction at the end of the monthly reporting period. The FMFS staff member was not from the same organization as the AO or designated as the AO for a group of Cardholders. Upon inquiry with the Director of FMFS, FMFS granted authority to two staff members to perform the transaction approvals within Access Online at the request of the AO, in his absence. However, FMFS could not provide documentation to support a request from the AO for the transaction and this procedure was not documented.

We recommend the following:

1. FMFS management review the current internal controls related to the purchase card program. Cardholders do not appear to understand how to perform the controls effectively, based on the guidance provided and the exceptions documented. FMFS management should update the program guidance to reflect the current process.
2. FMFS management revise the Purchase Card Handbook to properly address and provide guidelines for the Cardholder to follow when they are also acting as the FCO.
3. FMFS implement a tolerable threshold that the Cardholder may not exceed without obtaining additional AO approval prior to purchase. Cardholders should obtain a complete quote prior to purchase. If a complete quote is not obtained prior to approval a threshold should be in place to guide Cardholders on whether they may proceed with the purchase upon obtaining a complete quote or if they must obtain additional approval.
4. FMFS emphasize to Cardholders the requirements concerning document retention. Additionally, we recommend Cardholders utilize the 'Comment' box within US Bank to annotate details concerning their transactions in order to maintain the audit trail for documentation retention purposes. Many of the errors noted above could have been avoided had documentation been provided to support the transactions selected.
5. FMFS should hold more frequent purchase card program training. This training should be specific to the CPSC's requirements and their relationship with US Bank. Trainings should be held for Cardholders and AO's using the CPSC Directive and Handbook to facilitate their understanding of the process. Although, the CPSC has training set up through a General Services Administration (GSA) webinar, this does not explicitly educate Cardholders and AO's on the internal controls designed specifically for internal use by the CPSC.
6. FMFS management review the control requiring AO's to complete the monthly reconciliation by the 24th of each month to determine whether the control is key and/or a necessary control. Per FMFS, the 25th was chosen (the Handbook needs to be revised to reflect this) because it is 5 days prior to month-end close. FMFS would like to have at least 5 days to follow up with those non-complying Cardholders. The effect of non-compliance is that the Allowance holders and FCOs do not have the complete record of their disbursement when they run the fund status report in Delphi. However, there are minimal negative consequences since most of the Allowance holders and FCOs keep manual records of their fund status.

2. Noncompliance with Laws and Regulations

Split Purchases

One of the primary objectives of the purchase card program is to streamline the Federal Government acquisition process for small (or “micro”) purchasing needs. While the Federal Acquisition Regulations (FAR), *Part 13 – Simplified Acquisition*, sets a micro purchase threshold of \$3,000, the CPSC’s micro-purchase threshold is \$2,500. Further, the FAR stipulates that Cardholders can neither exceed the micro-purchase limit set without prior authorization nor break down the purchase requirement aggregating more than the “micro-purchase threshold into several purchases that are less than the applicable threshold merely to: (i) Permit use of simplified acquisition procedures; or (ii) Avoid any requirement that applies to purchases exceeding the micro-purchase threshold.” Therefore, split purchases could be found when: a single transaction is made in an amount that exceed the CPSC’s \$2,500.00 micro-purchase threshold; several transactions are made, none of which individually exceeds \$2,500.00, but which were all made from the same vendor, on the same day, which when taken together exceed \$2,500.00; or the transactions involve routine monthly charges that taken in the aggregate exceed \$2,500 per year.

Therefore, we designed audit procedures to identify potential split transactions. We found six instances that met the definition of split purchase. The transactions sampled consisted of purchases of/payments for subscriptions, storage fees, lab equipment, and training. As the purchases sampled met the definition of a split purchase, the purchases should have been acquired through a contract, Blanket Purchase Agreement (BPA), or some other contractual vehicle due to the repetitive nature and/or dollar amount of the purchases.

Split purchase transactions continue to occur, as the Cardholders are unclear as when to execute a contract or BPA for a group of purchases. Further, the cardholders and AO’s related to the sample items identified did not comply with the laws and regulations related to split purchases made on Government Purchase Cards. Violating regulations can lead to an unstable internal control environment that is susceptible to fraudulent transactions being made and/or approved by cardholders and AOs. Fraudulent or unauthorized purchase card charges also have a negative impact on the spending authority of the CPSC and are reportable offenses.

We recommend the following:

7. FMFS and Office of Procurement Services (FMPS) continue to closely monitor split purchases and provide more training and guidance to cardholders and AO’s on types of split purchases. This training/guidance should include the use of the purchase card versus other contracting mechanisms, such as BPA’s. We noted that many of the split purchases found could have been avoided if the cardholder had worked with FMPS to create a BPA to cover their known reoccurring requirements for goods and/or services during the fiscal year. Cardholders should not be using the purchase card as a funding vehicle for recurring charges that in total exceed the micro-purchase threshold, if they do not have a proper contractual vehicle in place.

Non-compliance with Purchase Card Recovery Policies

Our review identified inconsistencies in the recovery process of purchase cards upon employee separation and/or termination from the CPSC. Circular A-123, Appendix B, requires the recovery of charge cards when there is a change in the Cardholders' employment status. The CPSC Directive 1540.1 states, "The Agency Program Coordinator (APC) is included in the exit clearance process and must notify the departing employee if he/she is a Cardholder to return the card. When the Cardholder leaves, he/she will return his/her card to the APC for destruction. For teleworkers, the card is returned or mailed to the APC for destruction."

Based on a sample of accounts closed during FY 2014, we identified two instances where the Cardholders did not return the purchase card to the APC for destruction. However, for the accounts in question, the OIG did verify the classification of the account status as 'T9', indicating that the accounts had been terminated in the US Bank system via Status Change Report. In addition to destruction by the APC, the CPSC has a Standard Operating Procedure (SOP) in place, that requires the APC and a witness to complete, sign, and retain the "*Notice of Purchase Charge Card Destruction*" memo. For one Cardholder, a witness did not sign the required memo. Instead, the APC in FMFS prepared and witnessed the memo. However, we were able to determine that the account was terminated based on supporting documentation from US Bank.

Consequently, the Cardholders and APC did not follow appropriate protocol, as required in CPSC Directives 1540.1 and OMB Circular A-123, Appendix B. The Cardholders exited the CPSC prior to returning the purchase card or destroyed the card themselves. Additionally, the APC did not comply with the CPSC policies and procedures. The inconsistent application of purchase card recovery procedures increases the risk of improper, erroneous, and/or possibly fraudulent transactions. Further, non-compliance by FMFS management with laws and regulations regarding the purchase card program reduces the likelihood of effective program outcomes for the Commission.

We recommend the following:

8. FMFS reiterate to Purchase Cardholders the importance of adhering to purchase card laws and regulations, as well as the CPSC Directives. Specifically, it should reiterate the Agency exit process as it relates to purchase card recovery.
9. FMFS review and analyze Directive 1540.1a (Handbook) to determine the adequacy of the procedures for card recovery upon closing an employee's account, or when an employee is separating from the CPSC. A process to recover cards at Headquarters and the field should correlate with the separating employees' exit process, as is clearly stated in the Handbook.
10. FMFS further coordinate with the Office of Human Resources Management (EXRM) to refine the exit process to prohibit employees from exiting without adhering to purchase card laws, regulations, and the CPSC Directives.

11. The APC revisit the CPSC policies and procedures requiring the APC to obtain an independent party to witness the Notice of Destruction Memo.

Sales Taxes not Recouped

As a provision of the overall government-wide program in *OMB Circular A-123, Appendix B* the use of the Government Purchase Card is exempt from any sales tax. Thus, cardholders should not be incurring sales tax and if a vendor charges it, the cardholder should recoup the sales tax amount. CPSC Directive 1540.1a further states, “If taxes were charged on a purchase already made, then contact the merchant for a credit stating the purchase was for official U.S. Government purposes and paid for with the central billed purchase card...Should the merchant refuse to credit the sales tax paid, then document your attempt on a copy of your receipt and place in your procurement file. No further action is required by the Cardholder.”

As part of our audit procedures over internal controls (the design, implementation, and operating effectiveness), we identified two purchase card transactions, where sales tax was incurred and not recouped. The Cardholders believed that since the purchases were online transactions they were unable to obtain the tax-exempt status or recoup the taxes paid. While the identified transactions are immaterial to the CPSC’s overall Purchase Card Program, the Cardholders and the AOs did not comply with the purchase card laws and regulations; as well as, the CPSC’s Directive and Handbook guidance. Failure to recapture tax payments increases the cost of the CPSC’s charge card purchases during a time of reduced Federal funding and highly scrutinized spending.

We recommend the following:

12. FMFS reiterate to Cardholders the importance of adhering to purchase card laws and regulations, as well as the CPSC Directives. Specifically, FMFS should highlight the Federal Government’s tax-exempt status, which applies to all purchase types, including online purchases. Additionally, FMFS should remind Cardholders that per their annual certification, Cardholders certified that they read and understand the applicable CPSC Directives and instructions for purchase card use.

3. Noncompliance with the CPSC Policies and Procedures

Untimely Update of the CPSC Directives, Policies, and Procedures

OMB Circular A-123 advises that “Information should be communicated to relevant personnel at all levels within an organization. The information should be relevant, reliable, and timely.” Appendix B of the Circular stipulates that agencies should “Develop policies and procedures to mitigate risks associated with charge card programs. Each agency must develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this Guidance.”

The CPSC implemented Directive 1540.1a, *Purchase Card Handbook*, to meet A-123 Appendix B requirements. However, we noted that the Handbook is inconsistent with the current internal control structure of the Purchase Card Program at the CPSC. As written, it fails to reflect accurately the internal controls currently used in the purchase card program. For example, at the end of 2013 calendar year, FMFS moved the purchase card program to an automated document, review, and approval system within US Bank. However, the Handbook was not updated to reflect these changes. The Cardholders were not formally notified of the changes until March of 2015, when a document entitled 'Notice to Purchase Cardholders and AO's regarding Program Changes' was issued. Furthermore, our review of the relevant FMFS SOPs determined that the SOPs also do not clearly reflect the adoption of the automated process.

FMFS did not update the purchase card directives or SOPs in an appropriate or timely manner; thus, the program in operation did not comply with the CPSC policies or procedures. During field work for this audit the Purchase Card Program was in the process of transitioning from FMFS to FMPS. The program fully transitioned in July 2015. The failure to make timely updates to relevant policies and procedures weakens the program's internal control structure, which could lead to the inability to properly employ the automated internal controls within US Bank. The weak internal control environment contributes to the program being susceptible to override of internal controls by the Cardholder and/or AOs. This can lead to unauthorized or fraudulent charges made on the cards and improper activity affecting the CPSC. Fraudulent or unauthorized purchase card charges have a negative impact on the spending authority of the CPSC and are reportable offenses. Cardholders do not have a clear understanding of the current Purchase Card program and controls.

We recommend the following:

13. The Purchase Card Handbook be updated to reflect the current process, to include recommendations from this audit.
14. Update the SOPs to include details of the current process. Specifically, the SOPs should include appropriate illustrations, screenshots, and/or the level of detail necessary to demonstrate clearly the current procedures to current or future cardholders.
15. FMFS develop and provide training related to cardholder use of and the associated procedural requirements of the US Bank's automated document review and approval process. Additionally, internal training related to all revisions to the Handbook should be developed and provided.
16. That management monitors the review process and timeliness of the updates to the Handbook to incorporate all necessary changes to controls. Cardholders and AOs should be able to access a completed process including the set of controls for the purchase card program when guidance is needed.

Lack of Compliance with the CPSC Policies to Safeguard Property

CPSC employees who hold a Government Purchase Card have a responsibility to notify their Property Custodian immediately should they make a purchase of property that meets the CPSC's accountable property requirements. CPSC Directive 8201.1, *Personal Property Management*, states that Purchase Cardholders must provide the Property Custodian with a "complete description and cost" of the property purchased. In addition, CPSC Directive 1540.1a states "All accountable property item purchases (Object Class 30000 series), and sensitive property (selected property with an acquisition cost between \$100 and \$499.99) purchased using the card must be reported to the Office of Facilities Services (EXFS) for inclusion in the Property Management System (PMS)."

The OIG reviewed seven property transactions made with the purchase card. In three of seven instances, the Cardholders did not provide documentation to support the transaction selected. In another instance, an incorrect Object Class Code was used. The transaction was for the purchase of two televisions and related equipment, which was classified as '233Q0 Cable Television Service' within Access Online. We determined a more appropriate classification would be '312J0 Other Non-Capitalized Equipment'. Property that is not correctly classified is at risk of not being recorded in PMS. However, when we reviewed the PMS, it identified the items as having been correctly classified and logged in a timely manner.

Due to the results of testing, we inferred that Cardholders and AOs may not be properly communicating and monitoring the relevant transactions with their respective Property Custodians to identify assets purchased with the purchase card for entry into the PMS. Thus, unrecorded Federal property remains unaccounted and untracked within the Federal government on behalf of the CPSC. These unrecorded assets are more susceptible to theft and fraudulent activity, as there is no record of the asset and its use.

We recommend the following:

17. FMFS take more initiative to monitor property purchases made by cardholders throughout the fiscal year. FMFS should periodically review property-coded transactions made with the purchase cards and then follow up with cardholders to ensure the property is logged into the PMS.
18. FMFS promote better communication between the Cardholders, Property Custodians, and EXFS to facilitate the proper and timely recording of Federal property on behalf of the CPSC.

4. Improvement to the Annual Review Process

Annual Review of the CPSC Purchase Card Program

All purchases made under the CPSC purchase card program are subject to an annual review and audit for compliance with procurement and financial management regulations. In accordance with the *CPSC Purchase Card Management Plan*, the APC uses the *GSA Managing Purchase*

Card Use: A Plan for Success, as guidance to perform the review. The review includes assessments of various areas, such as: Compliance with the CPSC policies, Applicable-training requirements, Delegation of Authority, Integrity of Purchase Process, Compliance with Procurement Regulations, Receipt and Acceptance Procedures, Record Retention, and Inactive Accounts. The Director of FMFS is required to review the procedures and results attained by the APC.

FMFS did perform an annual review for FY 2014, as required. However, the process could be improved. For example, there was a lack of consistency concerning how the Annual Review Checklists were completed. Per discussion with the APC, the APC, assisted by a Financial Management Specialist in FMFS, utilizes the GSA's Sample Annual Review Checklist to conduct the review. Upon review of a completed checklist, question C.2 was considered not applicable; however, the "N/A" box was not marked, but the N/A box is utilized for other non-applicable questions. Additionally, the APC did not perform independent verification of some checklist items. Instead, the APC utilized a brief survey sent out to Cardholders for the Cardholder to answer the checklist questions.

Furthermore, the excel spreadsheet detailing the results of the review provided no specific details of the transactional review process. The testing spreadsheet gives the appearance that the review considered only one transaction per Cardholder, which would not constitute a representative sample of the population. Of the 160 Cardholders on record for FY 2014, FMFS selected 16 cardholders representing 10 percent of the population. Upon follow-up discussions with the APC and review of the supporting documentation, FMFS reviewed all transactions for each selected Cardholder within a selected sample month. Therefore, FMFS reviewed a total of \$8,539.10 in transactions, representing only 0.7% of the total FY 2014 purchase card transactions.

FY 2014 was the second year the Annual Review was completed by FMFS utilizing the *GSA Plan for Success*. However, FMFS did not explore lessons learned, best practices, or alternatives concerning the procedures to perform the review. The purpose of the annual review is to improve program operations continually while ensuring Cardholders and AOs comply with established procurement management practices, operating procedures, and established purchase card controls. If FMFS does not take appropriate action to execute the control fully, the CPSC will be at risk of noncompliance with government wide purchase card laws and regulations.

We recommend:

19. FMFS revise the testing spreadsheet used to provide a complete depiction of the results of testing. At a minimum, the testing spreadsheet should clearly show which transactions were tested, the amounts, the associated cardholder, the attributes tested, and the results.
20. FMFS utilize the GSA Plan for Success' Sample Annual Review Checklist as a foundation to create a checklist more specific to the CPSC's Purchase Card Program. Additionally, in instances where multiple staff members are performing the testwork, the APC should perform a quality review of the completed package to ensure consistency in the way the review is completed.

21. FMFS reconsider the process used to select the sample for the Annual Review. FMFS may want to consider using a statistical random sample of cardholders and transactions to ensure a more definitively representative sample.

CONCLUSION

Based on the results and findings noted above, the CPSC has not complied with its own or government wide purchase card program regulations, policies, and procedures. Moreover, the CPSC's purchase card program has multiple internal control weaknesses. We have discussed our recommendations with management. In addition, we have communicated issues that have arisen that were either outside the scope of the audit or were not significant to the objectives of the audit but still warrant the attention of those charged with governance. We have communicated these issues in a separate document. Management plans to take the proper action to remediate the issues noted and will implement policies and procedures to strengthen the program through the development of a Corrective Action Plan.

APPENDIX A: BACKGROUND

The GSA developed the Government-Wide Commercial Purchase Card program to promote the use of the government purchase card by Federal agencies. GSA intended the purchase card program to streamline Federal agency acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. The CPSC, which is subject to the FAR, promulgates its purchase card policies and procedures through a directive and handbook. The Government Accountability Office (GAO) has reviewed purchase card programs for many years and issued reports highlighting weaknesses that expose agencies to fraudulent, improper, and abusive purchases and losses of assets. Some of the common deficiencies cited by GAO include:

- Failure to authorize purchases properly;
- Failure to document independent receipt and acceptance; and
- Inability to account for easily pilfered goods obtained with purchased cards.

The use of the purchase card benefits the government by saving time, money, and resources. FAR Part 13.301 authorizes the use of the purchase card to make “micro-purchases.” FAR Part 2.101 sets the micro-purchase threshold at \$3,000 for most items; however, the CPSC’s purchase card micro-purchase limit is currently set at \$2,500.

APPENDIX B: OBJECTIVES, SCOPE & METHODOLOGY

OBJECTIVES

The primary objective of this audit was to determine whether internal controls established and implemented to monitor and manage the use of the purchase card are functioning in a reasonable manner and comply with applicable laws and regulations, to meet the program's objectives. As part of the audit, we also assessed the remediation efforts over the findings and recommendations issued in the FY 2012 Purchase Card Audit Report conducted by the OIG.

SCOPE

This audit covers purchase card transaction activity during FY 2014 (October 2013 to September 2014), as administered by the Office of Financial Management, Planning, and Evaluation (EXFM) at the CPSC headquarters in Bethesda, MD. During the relevant period, the CPSC had approximately 160 Cardholders and \$1,276,106.61 in net purchases. All purchase cardholders at the CPSC headquarters and field locations throughout the United States were included in the scope of the audit. Audit fieldwork took place from February 2016 through September 2016.

METHODOLOGY

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

To accomplish our audit objectives, we obtained an understanding of the CPSC purchase card program to include the design, implementation, and operating effectiveness of internal controls, compliance with the CPSC governing policies and procedures, and compliance with applicable Federal laws, regulations, and provisions. Furthermore, to assess the control environment, we also gained an understanding of the CPSC's remediation efforts from the prior FY 2012 Purchase Card Audit findings. We conducted interviews with key EXFM personnel, performed walkthroughs of the CPSC purchase card internal controls and execution of policies and procedures, inspected relevant supporting documentation, and examined purchase card data and reports from the contracted vendor, US Bank.

We then identified specific risks and opportunities for fraudulent, improper, or abusive purchases within the CPSC's program, and determined what key control activities were in place to prevent or detect such occurrences. Additionally, we performed a preliminary assessment of whether the controls were likely to be effective, and we identified any control design inefficiencies based on the control process. As a result of the preliminary assessment, we designed the audit procedures (test of controls) to assess the internal controls' operating effectiveness, to review specific attributes of the program, and to determine compliance with the identified laws, regulations, and provisions governing the program.

In order to perform our audit procedures at the transactional level, we obtained a population of purchase card transactions from U.S. Bank Access Online System from the period September 17, 2013 through October 16, 2014. We reviewed: (1) The FY 2013 and FY 2014 Statement of Standards for Attestation Engagements (SSAE)--16 Reports attesting to the operational effectiveness of the US Bank's internal controls; (2) interviewed CPSC and US Bank personnel knowledgeable about the data; and, (3) we further reconciled the purchase card transactional data to the reported CPSC FY 2014 financial statements for scope period, noting an immaterial difference due to mid-month cycle close for US Bank. Thus, we determined that the data was sufficiently reliable for purposes of this report.

For sampling procedures, we used a universe of 3,745 transactions totaling a net amount of \$1,276,106.61. However, given the different attributes surrounding credit (refund) transactions, we deemed it appropriate to extract and test credit transactions as a separate sample. The separate credit transactions extracted totaled 148 items amounting to \$23,099.50.

To determine which transactions to review, we developed a dual-purpose sample to increase the efficiencies of audit procedures. The dual-purpose sample allowed for the testing of internal control effectiveness and the testing of the completeness and accuracy of transactions simultaneously. As such, we developed the dual-purpose sample using a Monetary Unit Sampling (MUS) approach. This approach resulted in a statistical sample of 64 purchase card transactions drawn from a universe of 3,745 transactions (based on a 95 percent confidence level ((reliability)), with an expected error rate of 5 percent).

We also performed additional procedures for the review of specific attributes. For each specific attribute, we extracted transactions from the population that met that attribute for the related auditing procedures (see the chart below for specific attribute samples). In addition, we performed audit procedures over key control elements related to the training of cardholders and approving officials, card single purchase limit, and purchasing and reviewing authorities, as well as tests to determine if the purchase card program was in compliance with the appropriate regulations. After completion of our control testing, the results were analyzed, summarized, and projected (Dual-Purpose sample only).

Summary of Samples

Sample	Type	Description	Total Transactions
MUS (Dual Purpose)	Statistical	Random sample of transactions	64
Split Purchase	Specific Attribute	Two or more transactions made to the same vendor, re-occurring in a short period of time	30
Over Micro Limit	Specific Attribute	Individual purchases over the micro-purchase limit of \$2,500	10
Credits	Specific Attribute	Credit transactions selected for review	10
Rounded Amounts	Specific Attribute	Round dollar amounts	4
Accountable Property	Specific Attribute	Property Purchases and proper recording of the asset	7

APPENDIX C: STATUS OF PRIOR YEAR FINDINGS

Our assessment of the status of the recommendations related to findings identified in the prior audit is presented below:

We identified five of ten findings from the FY 2012 audit repeated in FY 2014, indicating corrective actions may not have been fully and/or effectively implemented. Therefore, the five corrective actions in question will remain open.

FY 2012 Finding	FY 2014 Status
Untimely update of Purchase Card Directive and Handbook	Open
Annual Purchase Card Review not Performed	Closed
Audit Recommendations not Addressed Timely	Closed
Lack of Internal Controls & Non-Compliance with Existing Controls	Open
Prohibited Telecommunication Charges	Closed
Undocumented Field Purchase Card Process	Closed
Purchases Exceeding the Micro-purchase Threshold	Closed
Property not added to the Property Management System	Open
Split Purchases	Open
Purchase Card Recovery	Open

APPENDIX D: ACRONYMS & ABBREVIATIONS

AO	Approving Official
APC	Agency Program Coordinator
BPA	Blanket Purchase Agreement
CPSC	The U.S. Consumer Product Safety Commission
EXFM	Office of Financial Management, Planning & Evaluation
EXFS	Office of Facilities Services
EXRM	Office of Human Resources
FAR	Federal Acquisition Regulation
FCO	Funds Control Officer
FMFS	Division of Financial Management Services
FMPS	Division of Procurement Services
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GSA	General Services Administration
MUS	Monetary Unit Sampling
OIG	Office of Inspector General
OMB	Office of Management and Budget
PMS	Property Management System
SOP	Standard Operating Procedures

APPENDIX E: MANAGEMENT RESPONSE



UNITED STATES
CONSUMER PRODUCT SAFETY COMMISSION
4330 EAST WEST HIGHWAY
BETHESDA, MD 20814

MEMORANDUM

February 15, 2017

TO: Christopher Dentel, Inspector General

FROM: Priscila I. Susi, Director of Financial Services

SUBJECT: Reply from Division of Financial Services (FMFS) on the Purchase Card audit covering fiscal year 2014 (September 17, 2013 to October 16, 2014)

PRISCILA SUSI

Digitally signed by PRISCILA SUSI
DN: cn=Priscila Susi, o=Consumer
Product Safety Commission, ou=CPSC/CPSC/CPSC
PUBLIC FORSIGNED:1.3.6.1.4.1.314701.10001.10001
Date: 2017.02.17 10:30:01 -0500

We concur with the audit findings. We will consider your recommendations as we implement corrective actions to resolve the findings and improve the Purchase Card Program. Several corrective actions have already been planned or implemented in response to your audit findings. Those actions are:

1. Ineffective Internal Control – The Procurement Services Division (FMPS) is providing additional guidance to cardholders on the revised Purchase Card Handbook, specifically the need to adhere to the approval process and proper documentation.
2. Noncompliance with Laws and Regulations - FMPS will work to improve cardholder adherence to policies and procedures for seeking sales tax recovery. The policy for recovery of inactive and unusable purchase cards upon employee separation will be revised so that physical recovery and destruction is no longer required for inactive purchase cards. In addition, FMPS has revised the Purchase Card Handbook to include a more explicit definition of split purchases and to revise the acceptable procurement documents.
3. Noncompliance with the CPSC Policies and Procedures – While neither FMFS nor FMPS has responsibility for property management, we shared your finding and recommendations with the Facilities Services Division (EXFS). The FMFS has been providing all purchase card transactions with property budget object classes to the Property Management Officer quarterly to facilitate proper recording in the Property Management System.
4. Improvement to the Annual Review Process – The FMPS is actively forming corrective actions to improve the annual review process.

Thank you to you and your entire team for the professionalism exhibited during this audit.