



U.S. Department of Education  
Office of Inspector General

# Fiscal Year 2020 Risk Assessment of the Department's Purchase Card Program

September 23, 2021  
ED-OIG/S21DC0020

## **NOTICE**

In accordance with Freedom of Information Act (Title 5, United States Code, Section 552), reports that the Office of Inspector General issues are available to members of the press and general public to the extent information they contain is not subject to exemptions in the Act.



**UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL**

Audit Services

September 23, 2021

**TO:** Denise Carter  
Acting Assistant Secretary  
Office of Finance and Operations

**FROM:** Bryon Gordon /s/  
Assistant Inspector General for Audit

**SUBJECT:** Final Report, "Fiscal Year 2020 Risk Assessment of the Department's Purchase Card Program," Control Number ED-OIG/S21DC0020

Attached is the subject final report that consolidates the results of our review of the Fiscal Year 2020 Risk Assessment of the Department's Purchase Card Program. We have provided an electronic copy to your audit liaison officer. We received your comments agreeing with the suggestion in our draft report.

We appreciate your cooperation during this review. If you have any questions, please contact Michele Weaver-Dugan at (202) 245-6941 or Michele.Weaver-Dugan@ed.gov.

Attachment

## Introduction

The purpose of this report is to inform you of the results of the Office of Inspector General's (OIG) risk assessment of the Department of Education's (Department) Purchase Card Program, as required by the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194. Our objective was to analyze the risk of illegal, improper, and erroneous purchases and payments made through the Department's purchase card program.

We assessed the risk of illegal, improper, and erroneous purchases made through the Department's purchase card program as moderate-high<sup>1</sup> and determined that an audit or review of the program by OIG may be warranted. Specifically, we found weaknesses in the Department's monitoring activities that were not found in previous risk assessments, noted turnover of key staff involved with the program, and encountered significant and recurring delays receiving responses to our requests for information.

We provided a draft of this report to the Office of Finance and Operations for comment. We summarize the Office of Finance and Operations' comments at the end of the Results section and provide the full text of the comments at the end of the report.

## Background

The Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194, requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. Under the Charge Card Act, Inspectors General (IG) are required to conduct periodic risk assessments of their agency's purchase card or convenience check<sup>2</sup> programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments. IGs should use these risk assessments to determine the scope, frequency, and number of periodic audits of purchase card transactions. Additionally, IGs of agencies with more

---

<sup>1</sup> For the purposes of this report, we defined moderate risk as degradation of an activity or role resulting in material impact on performance of key functions that has a possible likelihood of occurrence. We defined high risk as degradation of an activity or role that requires immediate escalation or management intervention to reach required levels of performance of key functions that has a high likelihood of occurrence.

<sup>2</sup> As the Department does not use convenience checks, our risk assessment only included the Department's purchase card program.

than \$10 million in travel card spending are required to conduct periodic audits or reviews of travel card programs.<sup>3</sup>

The Office of Management and Budget's (OMB) Circular No. A-123, Appendix B, A Risk Management Framework for Government Charge Card Programs, dated August 27, 2019, notes that the Charge Card Act requires IGs of executive agencies to

- conduct periodic assessments of the agency purchase card, convenience check, and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments;<sup>4</sup>
- perform analyses or audits, as necessary, of purchase card transactions designed to identify potentially illegal, improper, or erroneous uses of purchase cards, any patterns of such uses, and categories of purchases that could be made by means other than purchase cards in order to aggregate purchases and obtain lower prices (excluding transactions made under card-based strategic sourcing arrangements);
- perform analyses or audits, as necessary, of travel card transactions designed to identify potentially illegal, improper, or erroneous uses of travel cards, and any patterns of such uses;
- report to the head of the executive agency concerned on the results of such analysis or audits;
- report to the Director of OMB on the implementation of recommendations made to the head of the executive agency to address findings of any analysis or audit of purchase card, convenience check, or travel card transactions or programs for compilation and transmission by the Director of OMB to Congress and the Comptroller General; and
- report jointly with the respective agency head to the Director of OMB on confirmed charge card violations.

---

<sup>3</sup> The Department's annual travel card spending falls significantly below the \$10 million travel spending threshold and therefore does not require an annual risk assessment.

<sup>4</sup> This OMB Circular rescinds the previous version dated January 2009, as well as OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012, dated September 2013. While OMB Memorandum M-13-21 required IGs to perform periodic assessments on an annual basis, the August 27, 2019, revision to OMB Circular No. A-123, Appendix B, does not define "periodic assessment" or express a frequency.

Our prior risk assessments of the Department's purchase card program determined that the program did not pose a high risk to the Department and that an audit of the program was not necessary.<sup>5</sup>

The Contracts and Acquisitions Management Division (CAM) under the Office of Acquisition and Grants Administration within the Office of Finance and Operations coordinates the purchase card program within the Department. For fiscal year (FY) 2020, the Department reported total purchase card expenditures of \$1,250,943.

---

<sup>5</sup> *Fiscal Year 2013 Risk Assessment of the Department's Purchase Card Program* (ED-OIG/S19O0005), *Fiscal Year 2015 Risk Assessment of the Department's Purchase Card Program* (ED-OIG/S19P0009), *Fiscal Year 2016 Risk Assessment of the Department's Purchase Card Program* (ED-OIG/S19Q0003), *Fiscal Year 2017 Review and Analysis of the Department's Purchase Card Transactions* (ED-OIG/S19R0004), *Fiscal Year 2018 Risk Assessment of the Department's Purchase Card Program* (ED-OIG/S19T0001), and *Fiscal Year 2019 Risk Assessment of the Department's Purchase Card Program* (ED-OIG/S19U0001).

## Results of Review

### Policies and Procedures

We found that the Department has policies and procedures in place that address the applicable purchase card internal control requirements identified in the Charge Card Act and related OMB guidance. Most of these internal controls are documented in the Department's Purchase Card Management Plan and Department Directive OCFO: 3-104, Government-wide Commercial Purchase Card Program (Directive).

The Charge Card Act and OMB Circular No. A-123, Appendix B, prescribe 81 internal control requirements relevant to government purchase card programs, although many of these overlap to varying degrees. We compared these requirements to Department policies and procedures and found that the Department adequately addresses each requirement. However, we found that some CAM staff did not appear to be aware of the most recent Department Directive.<sup>6</sup>

### Purchase Card Program Monitoring

We noted that while CAM provided some evidence of monitoring efforts, the efforts were seemingly less than performed in previous years and revealed a number of weaknesses, resulting in our inability to determine whether it is adequately monitoring to reduce the risk that illegal, improper, and erroneous purchases are made within the purchase card program.

The Department's FY 2020 Purchase Card Management Plan states that CAM performs internal purchase card reviews on a quarterly and annual basis. It notes that various system reports are reviewed quarterly to monitor the appropriateness of transactions, delinquency, and possible misuse of the purchase card. A random sample of transactions is also chosen and reviewed annually to ensure compliance with Departmental policies and procedures. Random reviews are also conducted when necessary. The Purchase Card Management Plan lists seven different types of reports that the Department runs and reviews quarterly:

- Transactions Greater than \$10,000 Report. Identifies purchases at or above the micro-purchase limit to ensure that a warrant holder completes transactions with a Purchase Order and does not exceed the micro-purchase limit.

---

<sup>6</sup> CAM provided the 2008 version of the Department Directive in response to our request for current policies and procedures. We subsequently followed up and confirmed that the 2018 version currently on the Department's purchase card program webpage is the most recent version.

- Declines Report. Identifies cardholders who have attempted to use a card to buy an item: (a) for which they are not authorized, (b) that exceeds their single purchase limits, or (c) that exceeds their monthly purchase limit.
- Transaction Summary Report. Lists all transactions for a specified period of time. Reviews are completed quarterly. A random sample of transactions is chosen and reviewed annually. The cardholders are contacted to provide information and documentation about purchases.
- Potential Split Purchases Report. Identifies when the cardholder has several transactions with the same merchant within a short time frame and the amount of the transactions totals more than \$10,000.
- Strategic Sourcing Report. Identifies transactions that might not have complied with policy on use of mandatory sources (e.g., shipping and office supply vendors).
- Weekend Activity Report. Identifies transactions during the weekend outside of normal business hours.
- Sales Tax Report. Identifies transactions where sales tax was charged.

We found that unlike past years, CAM did not provide any evidence that these reports were generated or reviewed for FY 2020. CAM only provided the quarterly transaction summary reports for FY 2020 and indicated that transactions were randomly selected from the summary reports for review each quarter.

We found that CAM reviewed a total of 17 of 4,506 transactions during FY 2020, with between 3 and 5 transactions selected for review each quarter. The reviews included a total of 10 cardholders representing 6 different principal offices across all 4 quarters. We found discrepancies in the documentation provided by CAM supporting the review of these transactions. Specifically, CAM provided checklists that identified transactions selected for review each quarter, but we were unable to reconcile 5 of the 17 transactions to corresponding transactions on the respective quarterly transaction summaries, including 3 that had no transaction amount noted on the checklist. Upon our request to CAM to match selected transactions to the transaction summaries, it did not always do so. No response was provided for any of the five transactions selected in one quarter. For two of the selected transactions in other quarters, we found that CAM edited some information on the checklists previously provided to us, changing transaction amounts that were previously recorded on the checklists to transaction amounts that matched to amounts on transaction summaries. We also noted differences in transaction amounts between those noted on the checklists, summaries with amounts cited in email correspondence with the applicable cardholders, or both.

Additionally, CAM only provided correspondence with cardholders for 9 out of 17 transactions selected for review, therefore, we could not determine whether CAM did actually review and follow up on all the transactions.

When asked whether any other types of reviews were performed during FY 2020, CAM explained that the quarterly and random reviews were done concurrently. CAM added that moving forward the quarterly review and random review will be conducted and documented separately, for better transparency. When asked to clarify the difference between a quarterly and a random review, CAM did not provide a response. In prior years, we noted that CAM also performed more comprehensive internal annual reviews consisting of randomly selected transactions from several principal offices. For example, during FY 2019, CAM performed an annual review that included 59 transactions from 15 principal offices. CAM subsequently noted that an annual review was conducted in February (2021) and the review summary report was being finalized as of March 12, 2021. Because this was unavailable for our review, we are uncertain as to the scope of the review compared to prior years.

We also reviewed the FY 2020 purchase card statistical and narrative reports submitted by CAM to the General Services Administration. We found that the purchase card narrative report stated that the Department completed an A-123 audit<sup>7</sup> on the purchase card program in February 2020. However, CAM stated that an A-123 internal control review for the purchase card program was not conducted during FY 2020, later clarifying that the February 2020 reference was related to the FY 2019 A-123 review. We noted that this conflicts with information we have from last year's risk assessment related to the FY 2019 A-123 review.<sup>8</sup> CAM did not provide any further clarification regarding the conflicting information.

### **Disciplinary Action**

CAM sends an email each quarter to the Executive Officer in each principal office asking if they have had any purchase card violations. They are requested to respond even if there were no violations. In risk assessments we performed in prior years, CAM provided the Executive Officers' responses as confirmation that this process was followed and verification of CAM conclusions in this area. However, CAM did not provide those responses for our FY 2020 risk assessment as requested. We also noted that unlike prior years, in response to suggestions made in both our FY 2013 and

---

<sup>7</sup> The Department's FY 2020 narrative reporting references the A-123 review as an A-123 audit.

<sup>8</sup> We previously reviewed the FY 2019 A-123 review, dated September 2019, as part of our FY 2019 purchase card risk assessment.

FY 2015 risk assessments, the Office of Human Resources was not included on the quarterly emails. CAM provided each of the quarterly violation certifications that it prepared during FY 2020. Each one stated that no violations were identified and no disciplinary actions were taken against purchase cardholders during the respective quarter. However, during our review of documentation related to CAM's quarterly reviews of purchase card transactions, we noted that one cardholder did have their card suspended. This was not noted in the violation certifications provided.

At the exit conference for this review, Department officials noted that they changed the process to streamline the Executive Officers' responses. CAM noted that the Department followed the same process as performed in prior years but documented the results via a quarterly certification. We noted that any documentation used to support the certification would still need to be available for review.

Regarding the card suspension that was not noted in the certifications, the Agency Program Coordinator explained that this instance was not considered a violation because the cardholder's purchase card was suspended due to noncompliance with requests from CAM for supporting documentation related to purchases selected during a quarterly review. She added that she considers a violation to be an erroneous payment to someone or improper use of the purchase card. Based on our review of email communications related to the selected transactions, we found that the cardholder acknowledged that she paid for a personal Amazon Prime subscription, along with a laptop and other information technology items, with the Department's purchase card. After suspending the cardholder's purchase card, the Agency Program Coordinator noted that the transactions were in a dispute status and that the transaction for the laptop disappeared. When the Agency Program Coordinator asked why this was, the cardholder stated that she doesn't have an invoice from Amazon for those items and that she has no related transactions on her Amazon account. The Department's Directive notes that card suspension is an appropriate corrective action related to unauthorized or misuse of the card. Based on the details noted above, it appears this suspension was warranted. As per the Directive, this incident should have also been reported as a violation.

OIG Hotline and Investigations staff did not identify any hotline complaints or investigations related to purchase card misuse.

## High-Risk Categories of Potentially Inappropriate Purchases

We reviewed purchase card data from the OIG Data Analytics System (ODAS)<sup>9</sup> to identify and assess areas of high-risk categories of potentially inappropriate purchases. Based on the data reviewed, we determined that questionable Merchant Category Code purchases was the area of greatest concern.<sup>10</sup> More than 5 percent of all transactions during FY 2020 involved a questionable Merchant Category Code, representing nearly \$155,614, which is more than 6 percent of total purchase card spending. We selected the two principal offices with the highest billing amount in the questionable Merchant Category Code category for FY 2020. For each principal office, we sorted the transaction data by vendor and judgmentally selected the top 20 percent of vendors with the highest billing amounts. We found that none of the questionable Merchant Category Code transactions reviewed appeared to be inappropriate as they were from vendors that provide services or products with a potentially proper government purpose, to include training, educational services, safety equipment, office supplies, and furnishings.

## Other Issues Impacting Program Risk

We encountered significant and recurring delays receiving responses to our requests for information while conducting our risk assessment. This included delays in getting responses from Department staff and management to basic questions and requests for information, similar to what was requested in prior years' risk assessments, which necessitated several follow-up requests to obtain requested information and to obtain clarification to inadequate or unclear responses. We also determined that two of the key personnel that had been involved with the program in past years as back-ups to the Agency Program Coordinator and worked closely with us on these risk assessments left the Department in February 2020. The Agency Program Coordinator's supervisor is also new to the Department and assumed the back-up Agency Program Coordinator role in January 2021.

---

<sup>9</sup> ODAS includes a download provided by the charge card vendor of all Department purchase card transactions for a given fiscal year

<sup>10</sup> Merchant Category Codes are established by credit card companies to identify a merchant's line of business. The Department has restricted purchases in certain merchant categories that are generally not used by the Department for official business. We identified additional codes that were not restricted but could still be considered questionable.

## Suggestions

We suggest that the Office of Finance and Operations ensures that applicable CAM staff are fully aware of purchase card program requirements and that an appropriate level of monitoring is performed and documented, consistent with the processes noted in the Purchase Card Management Plan, to help detect and prevent unauthorized use of purchase cards.

## Office of Finance and Operations Comments

The Office of Finance and Operations stated that it agrees with the suggestion. It noted that it has several efforts underway or completed to further improve the oversight and management of the Department's purchase card program, including training, ensuring adequate staffing for monitoring and management of the program, and establishing a Standard Operating Procedure for responding to risk assessments and audits.

The Office of Finance and Operations also stated that it was pleased to note that the OIG did not identify any fraudulent activity and found that the program complied with all relevant laws and regulations.

## OIG Response

The Office of Finance and Operations' efforts, if implemented as described, are responsive to our suggestion. We would note that the objective of our review was to identify and analyze the risk of illegal, improper, and erroneous purchases and payments, which would include fraudulent activity, made through the Department's purchase card program. This review was conducted as a risk assessment and focused on internal controls, not on individual transactions or overall compliance, and therefore did not include a determination of whether any fraudulent activity occurred or whether the program complied with all relevant laws and regulations. However, we assessed the risk of illegal, improper, and erroneous purchases made through the Department's purchase card program as moderate-high<sup>11</sup> and determined that an audit or review of the program by OIG may be warranted.

---

<sup>11</sup> See footnote 1 on p. 1.

## Appendix A. Scope and Methodology

To accomplish the objective of our review, we

- reviewed applicable laws and regulations,
- reviewed the Department’s policies and procedures related to purchase cards,
- reviewed the Department’s purchase card narrative and statistical reports,
- reviewed prior OIG reports related to the Department’s purchase card program,
- examined documentation from the Department’s monitoring efforts,
- reviewed data on disciplinary actions taken by the Department resulting from purchase card misuse,
- contacted OIG Investigations and Hotline staff regarding information on any investigations or hotline complaints related to purchase card misuse, and
- judgmentally selected and reviewed purchase card transactions to identify and assess high-risk categories of potentially inappropriate purchases.

Our assessment period covered October 1, 2019, through September 30, 2020. We conducted fieldwork from January 2021 through May 2021. We provided our results to Department officials during an exit conference conducted on June 2, 2021.

We prepared this report in alignment with OIG’s quality control standards and the Council of Inspectors General for Integrity and Efficiency’s “Quality Standards for Federal Offices of Inspector General,” which require that we conduct our work with integrity, objectivity, and independence. We believe that the information obtained provides a reasonable basis for the conclusions contained in this report.

## Appendix B. Acronyms and Abbreviations

CAM	Contracts and Acquisitions Management Division
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
Department	U.S. Department of Education
Directive	Department Directive OCFO: 3 104, Government-wide Commercial Purchase Card Program
FY	fiscal year
IG	Inspectors General
ODAS	OIG Data Analytics System
OIG	Office of Inspector General
OMB	Office of Management and Budget

## Office of Finance and Operations Comments



### UNITED STATES DEPARTMENT OF EDUCATION OFFICE OF FINANCE AND OPERATIONS

September 8, 2021

**TO:** Bryon S. Gordon  
Assistant Inspector General for Audit, Office of Inspector General

**FROM:** Phillip R. Juengst  
Deputy Assistant Secretary for Acquisition and Grants Administration, Office of Acquisition and Grants Administration

**SUBJECT:** Draft Report, Fiscal Year 2020 Risk Assessment of the Department's Purchase Card Program Control Number ED-OIG/S21DC0020

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Education (Department) appreciates the work of the Office of the Inspector General (OIG) in planning and conducting its assessment and issuing this report.

The Department's leadership is pleased to note that of the Department's Fiscal Year (FY) 2020 charge card spend of \$1.2 million, the OIG (1) did not identify any fraudulent activity and, (2) found that the program complied with all relevant laws and regulations. However, the draft report found weaknesses in the Department's monitoring activities that were not found in previous risk assessments, noted turnover of key staff involved with the program, and encountered significant and recurring delays receiving responses to our requests for information. The draft report contains one suggestion:

**Suggestion:** We suggest that the Office of Finance and Operations ensures that applicable CAM staff are fully aware of purchase card program requirements and that an appropriate level of monitoring is performed and documented, consistent with the processes noted in the Purchase Card Management Plan, to help detect and prevent unauthorized use of purchase cards.

**Management Response to Suggestion:** The Department agrees with the suggestion. We have several efforts underway or completed to further improve the oversight and management of the Department's purchase card program, including the following:

- conduct annual training for the Department's Agency Program Coordinators (APC) to ensure understanding and awareness of program updates, requirements, and best practices;

- ensure additional training and support for purchase card staff such as attendance at the 2022 U.S. General Services Administration (GSA) SmartPay3 conference;
- ensure adequate staffing for monitoring and management of the purchase card program; and
- establish a Standard Operating Procedure (SOP) for Risk Assessment and Audit response guidance.

Again, we appreciate the opportunity to review and comment on this draft report. If you have any questions, please contact Janet Scott, Director, Contracts and Acquisition Management Division, at email: [Janet.scott@ed.gov](mailto:Janet.scott@ed.gov) or phone 202-453-7873.