



Office of Inspector General
Pension Benefit Guaranty Corporation

January 8, 2018

MEMORANDUM

TO: Thomas Reeder
Director

Jeffrey Donahue
Acting Director, Procurement Department

FROM: Robert A. Westbrook
Inspector General

SUBJECT: OIG Special Report - FY 2017 Purchase Card Risk Assessment (SR-2018-08)

Background

The Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194) requires federal agency heads to establish and maintain safeguards and internal controls over government purchase cards. The Act requires Offices of Inspector General to (1) conduct periodic assessments of the government purchase card program to identify and analyze risks of illegal, improper or erroneous purchases and payments in order to develop a plan for using such risk assessments to determine the scope, frequency, and number of periodic audits of purchase card transactions; (2) perform analysis and audits, as necessary, to identify potentially illegal, improper, or erroneous uses of purchase cards; and (3) report results to the agency head. According to Office of Management and Budget memorandum M-13-21, this risk assessment should be performed annually. The purpose of this memorandum is to fulfill the requirements of the Act and OMB guidance.

Executive Summary

Generally, we found that PBGC has policies and procedures in place to address the requirements in the Act, and has internal controls to assist in the monitoring of this program. Based on our review, we determined that the risk of illegal, improper, or erroneous purchases is low. We conclude that an OIG audit of this program is not warranted at this time.

Assessment

The Procurement Department (PD) is responsible for overseeing the purchase card program. An employee within PD serves as the Agency Program Coordinator (APC). Each department has Approving Officials that give oversight to the cardholders within their respective departments. In FY 2016, PBGC had purchase card expenditures totaling \$1,805,247. In FY 2017, PBGC had purchase card expenditures totaling \$1,454,117. As of September 30, 2017, there were 45 cardholders and 23 Approving Officials, all based in Washington, DC.

The primary PBGC policy that governs the use of purchase cards is the Purchase Card Manual, dated August 1, 2017. This policy explains application procedures, training requirements for cardholders and approving officials, single purchase limits, and purchase card usage restrictions. These policies are consistent with the requirements in the Act.

The Corporate Controls and Reviews Department (CCRD) conducts annual reviews of PBGC's purchase card program to meet the requirements of OMB Circular A-123 – Appendix B. As part of CCRD's work, they reviewed the *Pension Benefit Guaranty Corporation Charge Card Management Plan* which is submitted to OMB on an annual basis. CCRD reviewed what actions PBGC has taken to ensure that risk management policies and procedures remain current and effective. The most recent *Charge Card Management Plan* included the following examples of actions PBGC has taken in this area:

- PBGC has identified certain Merchant Category Codes (MCC) as restricted to ensure that certain types of goods and services cannot be purchased.
- The APC performs monthly reviews of daily transactions that are screened against MCCs.
- PD requires mandatory training requirements for all program participants.
- Cardholders are required to document their transactions and maintain a purchase card transaction log.
- The APC uses Visa's enhanced merchant reporting tool (a comprehensive reporting and custom query export tool maintained by US Bank) and Visa's expert monitoring system (a rule-based control and compliance tool with scheduled reports developed by US Bank) to monitor daily transactions.

The purchase card program also includes a variety of management controls designed to minimize purchase card misuse as follows:

- The APC maintains a folder for each cardholder, which includes the training certificate and the authorization letter that identifies the purchase limitation for the cardholder.
- The APC performs monthly reviews of transactions that are screened against MCCs.
- The Procurement Department conducts annual reviews on all cardholders' records to evaluate purchase card transactions, card utilization, and compliance with authorized spending limits.

Additionally, in CCRD's Report No. 2017-4001, *Limited Evaluation of Selected Purchase Card Transactions and Accounts for FY 2016*, CCRD conducted a limited evaluation of purchase card transactions. CCRD inspected data, performed testing of selected transactions, and reviewed relevant policies and procedures. In their report, CCRD reported opportunities for improvement in the following areas:

1. Purchase Card Closing Procedures
2. Continuity of Operations Plans (COOP) Purchase Cards
3. Convenience Checks.

The Procurement Department has agreed to each of CCRD's recommendations associated with the opportunities for improvement.

In addition, CCRD followed up on the status of their prior year observations to determine whether PBGC had addressed issues that were previously identified. In the most recent report, CCRD observed that PD had remediated all prior year observations.

Conclusion

We determined that the overall risk of illegal, improper, or erroneous purchases is low. Our conclusion is based on the number of cardholders, the dollars involved, the co-location of the APC with all cardholders and Approving Officials, the known history of the program at PBGC, the existence of agency policy and procedures, APC monitoring activities, and CCRD review activities. We believe the purchase card program poses a low risk to PBGC's strategic, operational, financial, compliance, and reputational objectives as reflected on Table 1 in the Appendix and does not warrant an OIG audit.

Appendix - Objective, Scope and Methodology

Our objective was to analyze the risks of illegal, improper, or erroneous purchases and payments associated with PBGC's purchase card program in FY 2017.

Our risk assessment was based upon a review of purchase card policies and procedures in effect as of August 1, 2017. We interviewed the purchase card program manager; reviewed CCRD's Report No. 2017-4001, *Limited Evaluation of Selected Purchase Card Transactions and Accounts for FY 2016*; reviewed the *Pension Benefit Guaranty Corporation Charge Card Management Plan for FY 2016*; considered internal control testing performed during our annual financial statement audit; and conducted a limited examination of transactions from October 1, 2016 to September 30, 2017. The OIG does not have any outstanding recommendations regarding purchase card operations.

We used five risk categories in our risk assessment - strategic, operational, financial, compliance, and reputational - as defined in Table 1 on page five. We assessed the impact and likelihood of risks by risk category considering the effect of internal controls and other relevant documentation. We assigned a level of low, medium, or high. We combined the impact and likelihood of each risk category to arrive at an overall risk level of low.

Table 1 – Summary of Risk Assessment

Category	Definition	Rating		
		Impact	Likelihood	Overall
Strategic	The risk that an event relating to the purchase card could occur that has a significant effect on PBGC's strategic goals and objectives.	LOW	LOW	LOW
Operational	The risk that an event related to the purchase card could be negatively affected by inadequate, ineffective, or failed business processes, human capital, or technology and information management.	LOW	LOW	LOW
Financial	The risk that an event related to the purchase card could occur that has a significant financial effect on the agency's budget process.	LOW	LOW	LOW
Compliance	The risk that an event related to the purchase card could hamper the program's ability to comply with applicable laws, regulations, or internal policies and procedures related to the purchase card.	LOW	LOW	LOW
Reputational	The risk that an internal or external event related to the purchase card could diminish the Office of Procurement's or the PBGC's stature, credibility, or effectiveness.	LOW	LOW	LOW