



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



U.S. Chemical Safety Board

CSB's Fiscal Year 2014 Purchase Card Program Assessed as High Risk

Report No. 15-N-0171

June 29, 2015



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Report Contributors:

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Abbreviations

CSB	U.S. Chemical Safety and Hazard Investigation Board
FY	Fiscal Year
GSA	U.S. General Services Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget

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At a Glance

Why We Did This Review

The Government Charge Card Abuse Prevention Act of 2012 requires the Inspector General of each executive agency to conduct periodic assessments of the agency purchase card or convenience check programs. Risk assessments should identify and analyze risks of illegal, improper or erroneous purchases and payments. These risk assessments are used to determine the scope, frequency and number of periodic audits of purchase card or convenience check transactions.

As the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB), our objective was to perform a risk assessment of agency purchase cards usage, as required by the act.

This report addresses the following CSB goal:

- *Preserve the public trust by maintaining and improving organizational excellence.*

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The full report is at: www.epa.gov/oig/reports/2015/20150629-15-N-0171.pdf

CSB's Fiscal Year 2014 Purchase Card Program Assessed as High Risk

What We Found

Our risk assessment determined that CSB's fiscal year (FY) 2014 purchase card program was at high risk for illegal, improper or erroneous purchases and payments. The program did not meet federal requirements. CSB's purchase card program had the following deficiencies:

CSB's \$280,000 purchase card program for FY 2014 was assessed as high risk for illegal, improper or erroneous purchases and payments.

- CSB did not have a written Charge Card Management Plan until November 2014. CSB was unaware of the requirement to submit its plan to the Office of Management and Budget by the required January 2014 deadline.
- CSB's management made assurances it had the appropriate policies and controls in place for purchase cards in FY 2014, but CSB did not establish written policies and controls in a management plan until FY 2015.
- CSB's management plan did not identify all key management officials.
- CSB's management plan did not contain the required compliance summary and internal control assurance assessment.
- CSB did not obtain prior written supervisory approvals for purchases.

Because CSB's purchase card program is at high risk for illegal, improper or erroneous purchases and payments, we will conduct an audit of CSB's purchase card program in FY 2016.

In response to our draft report, CSB agreed that it did not timely submit a Charge Card Management Plan to the Office of Management and Budget by the required deadline, and did not include the compliance summary in its management plan. CSB has also agreed that it did not obtain prior written supervisory approval for some purchases.

However, CSB disagrees that it certified controls without written internal policies and procedures. CSB maintains that it follows the Bureau of the Fiscal Service's purchase card procedures and the management plan formalized CSB's longstanding purchase card procedures. We did not find evidence that CSB staff were made aware that there were no agency-specific policies and therefore they were required to follow Bureau of the Fiscal Service guidance. CSB also disagrees that the management plan did not identify key management officials. We believe that the CSB Managing Director approves funding for all purchase card transactions and should be listed as a key management official.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

June 29, 2015

The Honorable Mark Griffon
The Honorable Manuel Ehrlich Jr.
The Honorable Rick Engler
Board Members
U.S. Chemical Safety and Hazard Investigation Board
2175 K Street, NW, Suite 400
Washington, D.C. 20037-1809

Dear Board Members:

This report addresses the requirement to complete a risk assessment of the U.S. Chemical Safety and Hazard Investigation Board's charge card program. This report represents the position of the results of the risk assessment conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency.

Action Required

Because this report has no recommendations, you are not required to respond to this report. However, if you submit a response, it will be posted on the OIG's public website, along with our comment on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at <http://www.epa.gov/oig>.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Elkins Jr." in a cursive style.

Arthur A. Elkins Jr.

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Purpose

As the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB), our objective was to conduct a risk assessment of agency purchase cards usage, as required by the Government Charge Card Abuse Prevention Act of 2012.

Background

CSB is an independent federal agency charged with investigating industrial chemical accidents. Headquartered in Washington, D.C., the agency's board members are appointed by the President and confirmed by the Senate. CSB is authorized by the Clean Air Act Amendments of 1990 and became operational in January 1998.

CSB has an interagency agreement with the U.S. Bureau of the Fiscal Service's Administrative Resource Center that provides a full range of procurement services, including services related to purchase cards. The bureau is part of the U.S. Department of the Treasury. CSB follows the bureau's purchase card guidance, which all cardholders must read and certify that they understand. The bureau's guide instructs employees on the proper use of government purchase cards. From fiscal years (FY) 2013 to 2014, CSB had 1,255 purchase card transactions that totaled over \$500,000 for combined fiscal years.

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), which reinforced administrative efforts to prevent waste, fraud and abuse of governmentwide charge card programs. Consistent with existing guidance from the Office of Management and Budget (OMB), the Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards and centrally billed accounts. The guidance also states that the Inspector General will conduct periodic risk assessments of agency purchase cards, combined integrated card programs, and travel card programs to analyze the risks of illegal, improper or erroneous purchases. An Office of Inspector General (OIG) will use these risk assessments to determine the necessary scope, frequency and number of Inspector General audits or reviews that it needs to conduct of these programs

OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, dated September 6, 2013, states:

To ensure compliance with the Charge Card Act, as of September 30, 2013, each agency head shall provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. The annual

certification should be included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512 (d)(2)). In addition, each agency will continue to maintain and annually submit Charge Card Management Plans no later than January 31, as required by OMB Circular A-123, Appendix B.

Based upon OMB Circular A-123, Appendix B, Revised, *Improving the Management of Government Charge Card Programs*, dated January 15, 2009, the elements required in the charge card management plan are:

- Identification of key management officials and their responsibilities for each charge card program. These officials will include, but are not limited to, Agency/Organization Program Coordinator, Approving Officials or other equivalent officials, and other accountable/billing officials.
- Establishment of a process for formal appointment of cardholders and approving officials, where applicable.
- Implementation of a process to ensure the credit worthiness of new charge card applicants consistent with Chapter 6 of this guidance.
- Description of agency training requirements.
- Management controls, policies and practices for ensuring appropriate charge card and convenience check usage and oversight of payment delinquencies, fraud, misuse or abuse.
- Establishment of appropriate authorization controls.
- Implementation of policies and practices to ensure strategic sourcing consistent with Chapter 8 of this guidance.
- Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues.
- Documentation and record retention requirements.
- Recovery of charge cards and other documentation when employees terminate employment, and, if applicable, when an employee moves to a different organization.
- Description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to the guidance, including, but not limited to, evaluating the effectiveness of training (Chapter 3), risk management controls (Chapters 4 and 6), refund management controls (Chapter 7), strategic sourcing policies (Chapter 8), and tax recovery efforts (Chapter 11).

The OMB Memorandum M-13-21 states that, at a minimum, all agency Charge Card Management Plans shall be reviewed and updated, as necessary, to reflect the following internal control activities to:

- Prevent an individual from being reimbursed for a bill already paid by the government, by ensuring that agency officials who approve or settle official travel verify that charges paid directly by the government to the

bank are not also reimbursed to an employee or an employee's individually billed account.

- Prevent the government from spending money on unused tickets by verifying the agency submits requests to servicing common carriers for refunds of fully or partially unused tickets, and tracks the status of these tickets to ensure resolution.
- Deter employee misuse of government cards by implementing penalties for charge card violations that are jointly developed by agency charge card management and human resource components. These penalties will include salary offset for instances of personal liability, and disciplinary actions for a cardholder or approving official's illegal, improper or erroneous purchases made with a purchase card, convenience check, integrated card or travel card. Disciplinary actions should include dismissal, as appropriate. The plan will define and apply appropriate and consistent employee disciplinary procedures, and comply with joint external reporting required of the Inspector General and agency management.

The U.S. General Services Administration (GSA), Federal Acquisition Service, Smart Bulletin No. 021, *OMB Memorandum M-13-21 and Charge Card Compliance Summary*, dated November 18, 2013, provides a summary of the requirements in OMB Memorandum M-13-21. Further, it provides Agency/Organization Program Coordinators with a copy of the compliance summary document addressed in the memorandum. Agencies were to summarize their overall results in their completed compliance summary and internal control assurance assessments in their annual Charge Card Management Plans, beginning with the January 31, 2014, submission to OMB. The compliance summary should also be available for review by the Inspector General.

Scope and Methodology

The work performed in this risk assessment does not constitute an audit conducted in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. We conducted this risk assessment from November 2014 to May 2015.

To perform an assessment of CSB purchase card usage and determine the risk, we reviewed CSB's charge card management plan and sampled purchase card transactions. We interviewed, held discussions with and exchanged emails with CSB officials.

We judgmentally selected five purchase card transactions to review from CSB's 1,255 transactions from October 2012 to September 2014. Two transactions were selected from the higher-value purchases and two from purchases with negative values due to returned items. We also selected a vendor with multiple purchases that totaled over \$4,000.

Results of Risk Assessment

Our risk assessment identified five areas in which CSB's purchase card program was deficient:

- CSB did not have a written Charge Card Management Plan until November 2014. CSB was unaware of the requirement to submit its plan to OMB by the required January 2014 deadline.
- CSB's management made assurances it had the appropriate policies and controls in place for purchase cards in FY 2014, but CSB did not actually establish written policies and controls in a management plan until FY 2015.
- CSB's management plan did not identify all key management officials.
- CSB's management plan did not contain the required compliance summary and internal control assurance assessment.
- CSB did not obtain prior written supervisory approvals for purchases.

Based on these identified deficiencies, we determined CSB's purchase card program is high risk for illegal, improper or erroneous purchases and payments requiring an annual audit.

CSB Did Not Timely Submit a Charge Card Management Plan to OMB

According to OMB Memorandum M-13-21, each agency will continue to maintain and annually submit Charge Card Management Plans no later than January 31, as required by OMB Circular A-123, Appendix B. However, CSB did not submit its Charge Card Management Plan to OMB by the January 31, 2014, deadline. In our notification letter, dated November 6, 2014, we requested a copy of CSB's Charge Card Management Plan, and CSB provided an unsigned copy of the plan to the OIG on November 18, 2014. According to CSB, this was its first written Charge Card Management Plan and the document was provided as submitted to OMB. CSB stated it was not aware of any other written policies or procedures regarding charge cards and their use. On February 2, 2015, CSB submitted its FY 2015 Charge Card Management Plan to OMB.

CSB Certified Controls Without Written Internal Policies and Procedures

As part of CSB's 2014 Performance and Accountability Report, CSB's management made assurances that its internal management control system will: help provide assurance that obligations and costs comply with applicable law; assets are safeguarded against waste, loss and unauthorized use or misappropriation; and revenues and expenditures are properly accounted for and recorded. This includes appropriate policies and controls to mitigate the risk of fraud and inappropriate charge card practices. CSB stated that it follows Bureau of the Fiscal Service guidance for purchase cards. However, we found that CSB

did not have any internal written policies and procedures regarding purchase cards in FY 2014.

CSB's Management Plan Did Not Identify All Key Management Officials

CSB's Charge Card Management Plan submitted to the OIG in November 2014 covers all the elements required by OMB Circular A-123, Appendix B, Section 2.3. One element of the management plan requires the identification of key management officials and their responsibilities for each charge card program. These officials are to include the Agency/Organization Program Coordinator, Approving Officials or other equivalent officials, and other accountable/billing officials.

The CSB's Charge Card Management Plan key personnel list was incomplete. A CSB official (the Managing Director) who approved funding for purchase card transactions was not listed as a key management official. Furthermore, this approving official did not obtain the required charge card management training. According to OMB Circular A-123, Appendix B, Section 3.3, all program participants—including cardholder, charge card manager and other accountable/billing officials—must be trained in charge card management.

Compliance Summary Was Not Included in Management Plan

According to OMB Memorandum M-13-21, GSA developed a compliance assessment tool to help document whether the required safeguards are in place. The tool requires completion of an internal control assurance assessment with the results documented in a compliance summary. The compliance summary is to be submitted to OMB annually starting in January 2014 and should be available for Inspector General review. CSB did not complete the compliance summaries and internal control assurance assessment in the Charge Card Management Plan provided to the OIG in November 2014. CSB was unaware of the requirement for the compliance summary and assurance assessment. However, once we identified this deficiency, CSB included a compliance summary in its FY 2015 Charge Card Management Plan submitted to OMB on February 2, 2015.

CSB Did Not Obtain Prior Written Approval for Purchases

The Bureau of the Fiscal Service's guide states in Section 5, Use of the Purchase Cards, paragraph 2, that the cardholder must ensure proper use of the purchase card. This includes documenting funds availability prior to purchase, maintaining a purchase log, receiving prior approval of the purchase from the Approving Official, and reconciling the monthly e-statements. Of the five purchase card transactions reviewed, we found that for one transaction, the check date was before the supervisory approval date. Another transaction noted the invoice and payment dates were before the supervisory approval date. CSB stated that cardholders occasionally make purchases before obtaining written approval.

Conclusion

Based on our risk assessment of CSB's purchase card program, we have determined that CSB is at high risk of illegal, improper or erroneous purchases and payments made through its \$280,000 purchase card program for FY 2014. We made this determination due to CSB not having a written Charge Card Management Plan until November 2014 and not being aware of the January 2014 deadline to submit the plan to OMB. We also noted charge card plan deficiencies and the need for supervisory approvals on transactions. As such, we will conduct an audit of CSB's purchase card program in FY 2016.

CSB Response and OIG Evaluation

In response to our draft report, CSB agreed with our results for the Charge Card Management Plan submission, the compliance summary, and the need to have prior written approval for purchases.

CSB disagreed that it certified controls without written internal policies and procedures. CSB further stated that the OIG implied that the written Charge Card Management Plan needed to be the basis for certifying controls. CSB stated that its plan formalized its longstanding purchase card procedures, the Bureau of the Fiscal Service annually reviews charge card program activities, and the bureau has not identified problems with charge card program controls. According to OMB Circular A-123, Appendix B, Revised, Section 2.1, each agency must develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this guidance. During our risk assessment, CSB stated that it did not have internal written policies and procedures for purchase cards. In addition, we did not find evidence that CSB staff were made aware that there were no agency-specific policies and therefore they were required to follow Bureau of the Fiscal Service guidance.

CSB disagreed that its management plan did not identify all key management officials. CSB stated that its plan does not identify the Managing Director because he does not serve as an approving official for the charge card program. The Bureau of the Fiscal Service's guide states in Section 5, Use of the Purchase Cards, paragraph 2, that the approving official must ensure government funds are available prior to granting purchase approval. It is our position that since the Managing Director approves funding for all purchase card transactions, he is an integral part of CSB's purchase card program. Therefore, the Managing Director should be listed as a key management official and attend the required charge card management training.

CSB's complete response to our draft report is in Appendix A.

CSB Response to Draft Report

U.S. Chemical Safety and Hazard Investigation Board

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Mark Griffon
Board Member (Interim Chairperson)

Manny Ehrlich, Jr.
Board Member

Rick Engler
Board Member



May 27, 2015

Mr. Kevin Christensen
Assistant Inspector General for Audits
Office of Inspector General
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.,
(2410T) Washington, DC 20460

Dear Mr. Christensen:

Thank you for the opportunity to review and comment on the draft report on the CSB's purchase card program. As a general matter, we agree with you that purchase card programs (regardless of agency) are at a high risk for illegal, improper or erroneous purchases and payments. As you know, the CSB identifies the purchase card program as a high risk area to OIG financial auditors each year. To mitigate these inherent risks with purchase cards, the CSB has internal controls over the program and follows guidance from the Treasury Department's Bureau of the Fiscal Service (BFS). The existing guidance and controls are now formally documented in the Charge Card Management Plan provided to your office in November 2014.

Although the CSB believes purchase card programs are inherently high risk we are concerned that your report is misleading because it does not recognize CSB efforts that have successfully mitigated the risks. In addition the report leaves the erroneous impression that the CSB's program may be at higher risk than other such programs across the government. The BFS conducts detailed annual reviews of CSB purchase card activities, which are complimentary of CSB's purchase card program. In fact, for FY 2014 BFS reported:

Overall, the purchases were well documented and necessary for the completion of CSB's mission. We would like to express our appreciation for your management support to ensure the purchase cards are used appropriately and the related procedures are followed.

We are very impressed at how well the cardholders are maintaining their supporting documentation and the forms that they are required to complete. The documentation provided was very organized. Keep up the good work!

The CSB acknowledges it was not timely in submitting its Charge Card Management Plan to OMB, and that we can make improvements to the plan. However, this should not overshadow the fact that CSB runs an effective charge card program, and that no improper use of the purchase cards was identified. The attachment addresses the specific concerns raised in your draft report. If you or your staff have any questions about this response, please feel free to contact Anna Brown, Audit Liaison, at 202-261-7639.

Sincerely,

/S/

Mark Griffon
Board Member

Specific OIG Concerns and CSB Responses

OIG Concern	CSB Response
<p>CSB Did Not Timely Submit a Charge Card Management Plan to OMB</p>	<p>Agree. The CSB did not formally document its longstanding purchase card procedures until we prepared the written charge card plan in November 2014. The plan was submitted to OMB on February 2, 2015.</p>
<p>CSB Certified Controls Without Written Internal Policies and Procedures</p>	<p>Disagree. The OIG implies that the written Charge Card Management Plan needed to be the basis for certifying controls. However, this plan formalized CSB’s longstanding purchase card procedures to:</p> <ul style="list-style-type: none"> • Follow BFS purchase card procedures; • Issue memos with monthly statements to cardholders and their supervisors that spells out the cardholder and supervisor’s responsibilities. The memos reiterated the process to ensure that charges were authorized, approved, and properly documented; and • Have every transaction on monthly statements reviewed and approved by financial operations staff who serve as charge card approving officials, and do not hold or issue purchase cards. <p>In addition, BFS annually reviews charge card program activities which have not identified problems with charge card program controls.</p>
<p>CSB’s Management Plan Did Not Identify All Key Management Officials</p>	<p>Disagree. The Charge Card Management Plan identifies key management officials and their responsibilities for the charge card program. CSB’s plan does not identify the Managing Director because he does not serve as an approving official for the charge card program.</p>
<p>Compliance Summary Was Not Included in Management Plan</p>	<p>Agree. The compliance summary was not included in the November 2014 Management Plan. However, the compliance summary was included in the plans submitted to OMB on February 2, 2015.</p>
<p>CSB Did Not Obtain Prior Written Approval for Purchases</p>	<p>Agree. The CSB is aware that cardholders occasionally make purchases before obtaining written approval. We will reiterate to cardholders and supervisors the importance of prior written approval. However, we note that even when cardholders did not receive prior approval, all purchases were ultimately approved and were determined to have been proper.</p>

Distribution

Board Members, U.S. Chemical Safety and Hazard Investigation Board
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