



**NCUA**  
National Credit Union Administration

OFFICE OF  
INSPECTOR GENERAL

**FISCAL YEAR 2017  
RISK ASSESSMENTS OF THE NCUA'S  
CHARGE CARD PROGRAMS**

**Report #OIG-18-06  
March 16, 2018**





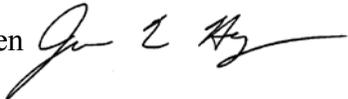
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National Credit Union Administration

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**Office of Inspector General**

**TO:** Distribution List

**FROM:** Inspector General James W. Hagen 

**SUBJ:** Fiscal Year 2017 Risk Assessments of the NCUA's Charge Card Programs

**DATE:** March 16, 2018

The National Credit Union Administration (NCUA) Office of Inspector General conducted risk assessments of the NCUA's charge card programs as required by the Government Charge Card Abuse Prevention Act of 2012. The objectives of this engagement were, in part, to assess, identify, and analyze the risks of illegal, improper, or erroneous purchases and payments made through the NCUA's purchase and travel card programs and determine whether the results of our risk assessments justified performing an audit. This engagement encompassed all three charge card programs and covered activity from October 1, 2016, through September 30, 2017.

Based on our risk assessments, we concluded that the NCUA's centrally billed purchase card and travel card programs pose a low risk of illegal, improper, or erroneous purchases and payments. However, we concluded the risk for the individually billed travel card program increased from a low risk in fiscal year 2016 to a medium risk in fiscal year 2017. Because the agency addressed identified risks, we did not conduct an audit of the travel card or purchase card programs for fiscal year 2017. These risk assessments should not be interpreted to mean that the programs are free from illegal, improper, or erroneous purchases and payments. We will continue to conduct annual risk assessments of the NCUA's purchase and travel card programs to determine whether an audit is necessary.

We appreciate the effort, assistance, and cooperation NCUA management and staff provided to us during this engagement.

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Attachment

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## EXECUTIVE SUMMARY

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted risk assessments as required by the *Government Charge Card Abuse Prevention Act of 2012* (Act). Specifically, we conducted risk assessments of the NCUA's individually billed accounts (IBA) travel card program and centrally billed accounts (CBA) travel and purchase card programs.

The Government Services Administration (GSA) SmartPay2 program provides charge cards to U.S. government agencies/departments and tribal governments, through master contracts that are negotiated with major national banks. The NCUA has established three government charge card programs through GSA SmartPay2 contracts with JP Morgan Chase (JPMC). Those charge card programs are:

- CBA Purchase card
- CBA Travel card, and
- IBA Travel card

The NCUA issues purchase cards to authorized employees in the Central Office, Regional offices, and the Asset Management and Assistance Center (AMAC) to assist in the performance of official agency business. In accordance with the NCUA's policies and procedures, the purchase cards are used to make simple acquisition purchases less than or equal to \$7,500 per transaction. Office managers that have frequent simple acquisition purchases are required to obtain an office purchase card. Offices and Regions have the authority to make simple acquisitions less than or equal to \$7,500 using a purchase card. Purchase cards may be used for any official business expense that can be purchased through the NCUA procurement program, except airfare and other travel. All travel expenses must be charged to a travel card and not the office purchase cards. Purchases made using the purchase card must not exceed the single transaction limit of \$7,500 or purchases above the monthly purchase card limit, which is \$25,000 for most NCUA purchase cards. Contracting Officers and Program Offices must use competition in acquisitions to the maximum extent possible. Contracting Officers should look for competitive opportunities when procuring goods and services valued over \$7,500. All requirements estimated to exceed \$7,500 and not being competed must be justified in writing by Program and submitted as part of a procurement package. The Director, Division of Procurement and Facilities Management (DPFM), and the Competition Advocate must approve all noncompetitive procurement requests over \$7,500.



The NCUA issues travel cards to most of its approximately 1,230 employees. Federal employees are required to use their federal travel charge cards for all expenses related to official government travel where merchants accept the card for payment.<sup>1</sup>

The objectives of this engagement were to:

- Assess, identify, and analyze the risks of illegal, improper, or erroneous purchases and payments made through the NCUA's purchase and travel card programs;
- Determine whether the results of our risk assessments justify performing an audit in compliance with Government Auditing Standards;
- Coordinate with appropriate agency officials on a joint semi-annual report to the Office of Management and Budget (OMB) on any purchase card violations meeting the criteria established in the Act.

This engagement encompassed all three charge card programs and covered activity from October 1, 2016, through September 30, 2017. We reviewed the charge card spending, number of cardholders, internal controls over these programs, and the results of program and transaction reviews. Based upon our risk assessments, we determined that the NCUA's centrally billed purchase and travel card programs pose a low risk for illegal, improper, or erroneous purchases and payments. However, we determined that the NCUA's individually billed travel card program posed a medium risk during our scope period due to internal control gaps. Because the agency addressed the identified risks, we did not perform an audit of the purchase card or travel card programs. These risk assessments should not be interpreted to mean that the programs are free from illegal, improper, or erroneous purchases and payments. We will conduct annual risk assessments of the NCUA's purchase and travel card programs to determine whether an audit is necessary. In addition, because the NCUA did not have more than \$10 million in annual purchase card spending, the agency did not meet the requirement to report violations and purchase card misuse to OMB in accordance with the Charge Card Act.

We appreciate the courtesy and cooperation NCUA management and staff provided to us during this engagement.

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<sup>1</sup> Travel and Transportation Reform Act of 1998, P.L. 105-264, and Federal Travel Regulation 41 CFR 300-301



## BACKGROUND

### Government Charge Card Programs

On October 5, 2012, the President signed into law the *Government Charge Card Abuse Prevention Act of 2012* (Act), which reinforced Administration efforts to prevent waste, fraud, and abuse of Government-wide charge card programs. To that end, each executive agency that issues purchase cards, convenience checks, and travel cards must establish and maintain safeguards and internal controls over these programs. The Act mandates that:

- The IG of each agency conduct periodic assessments of the agency purchase card or convenience check programs 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 or convenience check transactions. The IG reports 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 and convenience check transactions or programs for compilation and transmission by the Director to Congress and the Comptroller General.
- The IG of each executive agency with more than \$10,000,000 in travel card spending conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments. Findings of the audits along with recommendations are to be reported to the executive agency, OMB, and Congress.
- Each head of an executive agency with more than \$10 million in purchase card spending annually, and each agency's IG, submit a semiannual report on violations or other actions to the OMB.

The GSA SmartPay2 program provides charge cards to U.S. government agencies/departments and tribal governments, through master contracts negotiated with major national banks. There are currently over 560 agencies/organizations holding over 3 million cards participating in the program, which has spending of \$28.6 billion annually on roughly 93 million transactions.

In June 2007, the GSA Office of Charge Card Management awarded the GSA SmartPay2 master contracts to Citibank, JPMC, and U.S. Bank. Through these contracts, agencies can obtain a number of different types of charge cards to support their mission needs, including:

- Purchase Cards – for purchasing general supplies and services;
- Travel Cards – for travel expenses related to official government travel (airline, hotel, meals, and incidentals);



- Fleet Cards – for fuel and supplies for government vehicles, and
- Integrated Cards – for two or more business lines (card types) whose processes are integrated into one card.

### **Charge Card Management Plan**

OMB A-123, Appendix B, requires agencies to maintain and annually submit to OMB a Charge Card Management Plan (Plan) no later than January 31. The Plan is to include:

- Identification of key management officials and their responsibilities for each card program. These officials will include but are not limited to, Agency/Organization Program Coordinator (A/OPC), 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 card applicants;
- Description of agency training requirements;
- Management controls, policies, and practices for ensuring appropriate purchase 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;
- Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spending analysis, and other relevant transactions and program management issues;
- Documentation and record retention requirements;
- Recovery of cards and other documentation when employees terminate employment and, if applicable, when an employee moves to a different organization; and
- Description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to this guidance, including, but not limited to, evaluating the effectiveness of training, risk management controls, refund management controls, strategic sourcing policies, and tax recovery efforts.



OMB M-13-21 also requires agencies to review and update the Plan, as necessary, to reflect the following internal control activities:

- To prevent an individual from being reimbursed for a bill already paid by the government, Agency officials who approve or settle official travel must verify that charges paid directly by the NCUA to JPMC are not also reimbursed to an employee or an employee's individually billed account;
- To prevent the NCUA from spending money on unused tickets, the agency must submit requests to servicing common carriers for refunds of fully or partially unused tickets and track the status of these tickets to ensure resolution;
- To deter employee misuse of government cards, the NCUA must implement penalties for card violations that are jointly developed by the agency card management and human resources components. These penalties should 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 must define and apply appropriate and consistent employee disciplinary procedures, and comply with joint external reporting required of OIG and Agency management; and
- To provide a summary of the agency's efforts to assess its internal controls, the NCUA must summarize its overall results in completed compliance summaries and internal control assurance assessments in its annual Plan.

### **The NCUA Charge Card Programs**

The NCUA is an independent federal agency that regulates, charters, and supervises federally insured credit unions. In 2017, the NCUA relied upon approximately 1,230 employees to carry out its insurance, consumer protection, and regulatory roles in its Central Office, AMAC, and five regional offices. The NCUA's 2017 budget was approximately \$298.2 million with over \$21 million in charge card spending.

The NCUA has established three government charge card programs through GSA SmartPay2 contracts with JPMC. Those charge card programs are:

- CBA Purchase card
- CBA Travel card, and
- IBA Travel card



The NCUA is responsible for payment of CBA charge card account balances. Individual cardholders are responsible for payment of IBA charge card account balances. Table 1 (below) provides the NCUA's total charge card activity for fiscal year 2017:

**Table 1.**

<b>Fiscal Year 2017 Total Charge Card Activity</b>				
	<b>Purchase Card</b>	<b>Travel Card (CBA)</b>	<b>Travel Card (IBA)</b>	<b>Total</b>
<b>Total Amount - All Transactions</b>	\$2,429,205	\$678,056	\$18,590,009	\$21,697,270
<b>Total Transactions</b>	3,290	1,212	96,841	101,343
<b>Total Active Cards in fiscal year 2017</b>	43	9	981	1,033
<b>Average Transaction Amount</b>	\$738.36	\$559	\$192	
<b>Average Amount per Card</b>	\$56,493	\$75,340	\$18,950	

Source: The NCUA Office of the Chief Financial Officer (OCFO)

## Charge Card Program Policy and Procedures

The NCUA's procurement authority permits the agency to obtain goods and services required to fulfill its mission. Although the NCUA is exempt from complying with the Federal Acquisition Regulation (FAR), the NCUA uses the FAR for guidance. In fiscal year 2017, the NCUA utilized its Procurement Policy Manual, Purchase Card Manual, and its Acquisition Policy Manual to guide agency contracting activity.<sup>2</sup> Charge cards are one method used by the NCUA to satisfy its procurement needs. The NCUA's Travel Card Manual, Non-Bargaining Unit Travel Manual, and the Collective Bargaining Agreement, Article 14, Travel and Expense Reimbursement, governs use of its IBA Travel Card program.

### Purchase Cards

In fiscal year 2017, the NCUA authorized forty-three individuals to procure goods and services for the agency using purchase cards. The NCUA issues purchase cards to authorized employees in the Central Office, Regional offices, and AMAC to assist in the performance of official agency business. Office managers that have frequent simple acquisition purchases are required to obtain an office purchase card.<sup>3</sup> In accordance with the NCUA's policy, the purchase cards

<sup>2</sup> NCUA M1770, Procurement Policy Manual, dated September 2015, NCUA Purchase Card Manual, dated June 2016 and NCUA Instruction 1501 (Rev. 1), Conference Planning Policies, Procedures and Approval Requirements, dated September 27, 2013 were canceled and superseded by the Acquisition Policy Manual on April 18, 2017.

<sup>3</sup> Exceptions may be granted with Contracting Officer approval.



are used to make simple acquisition purchases less than or equal to \$7,500 per transaction. The NCUA issues purchase cards to an individual for use only by that individual. Authorized cardholders may use purchase cards for any official business expense that can be purchased through the NCUA procurement program, except airfare and other travel. All travel expenses must be charged to a travel card (CBA or IBA) and not the office purchase cards.

Purchases made using the purchase card must not exceed the single transaction limit of \$7,500 or purchases above the monthly purchase card limit, which is \$25,000 for most NCUA purchase cards. Contracting Officers and Program Offices must use competition in acquisitions to the maximum extent possible.<sup>4</sup> Contracting Officers should look for competitive opportunities when procuring goods and services valued over \$7,500. All requirements estimated to exceed \$7,500 and not being competed must be justified in writing by the Program and submitted as part of a procurement package. The Director, DPFM, and Competition Advocate must approve all noncompetitive procurement requests over \$7,500.

Unless otherwise authorized, employees wishing to purchase goods using a purchase card must submit a request to their office director via email, listing the goods requested, the approximate cost, and the proposed vendor. The office director or an employee delegated by the director must forward the request to a purchasing technician that places the order in accordance with the NCUA's policies and procedures using the office purchase card. Office directors or an employee delegated by the office director must submit requests from their own email account, or through the office's email account to a purchasing technician.

Regional Directors (RD), Associate RDs, and the respective office director (or delegated employee of the office director) of each purchase cardholder at the Central Office must approve monthly purchase card vendor statements and logs. Additionally, the A/OPC (or delegated employee) reviews the consolidated purchase card statements each month for the agency. The A/OPC brings any noted questionable or inappropriate charges to the attention of the appropriate RD or office director for justification and resolution.

### *Travel Cards*

The NCUA issues travel charge cards to most of its 1,230 employees. Federal travel regulations<sup>5</sup> require employees to use their federal travel charge cards for all official travel expenses where the card is accepted for payment. Federal agencies are required to evaluate the credit worthiness of employees before issuing individual government travel charge cards.

The NCUA's travel policy states that employees are to use agency issued travel cards for authorized expenses incurred while conducting official government business. The NCUA recognizes that charges of authorized and allowable travel and transportation expenses (i.e.

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<sup>4</sup> The NCUA considers soliciting three or more sources to obtain an adequate market response to be provide for reasonable competition.

<sup>5</sup> Travel and Transportation Reform Act of 1998, P.L. 105-264, and Federal Travel Regulation 41 CFR 300-301.



lodging and/or meal costs) which exceed authorized amounts could and may infrequently occur. The NCUA travel policy allows employees to use their agency issued travel charge card for supplies, rental car gasoline, training costs, and for other business related purchases.

The NCUA's travel policy states that employees with IBA travel charge cards are liable for all billed charges, in accordance with the cardholder agreement. However, the policy also states that employees are not responsible for any charges incurred against a lost or stolen travel card if the employee promptly reports loss of the card to JPMC, in accordance with the terms of the charge card cardholder agreement.

### **Prior Audit Coverage**

On December 21, 2017, the NCUA OIG issued report OIG-17-13<sup>6</sup> regarding the NCUA's charge card programs. We determined that the NCUA's three charge card programs posed a low risk of illegal, improper, or erroneous purchases and payments. Based upon our risk assessments, we did not perform an audit of the purchase card or travel card programs for fiscal year 2016.

On June 29, 2016, the NCUA OIG issued report number OIG-16-07<sup>7</sup> regarding the NCUA's charge card programs. Overall, we determined that the NCUA's three charge card programs posed a low risk of illegal, improper, or erroneous purchases and payments. Based upon our risk assessments, we did not perform an audit of the purchase card or centrally billed travel card programs. However, we did perform an audit of the individually billed travel card program because the NCUA exceeded the Act's \$10 million threshold for IBA travel card usage. Although we noted minimal misuse of the NCUA charge cards, we made one recommendation for the NCUA's purchase card program related to unauthorized purchases. In addition, we made two suggestions for the IBA Travel Card program related to quarterly reviews and receipts; and one recommendation from our limited-scope audit of terminated employees related to the timely cancellation of their IBA Travel Cards.

On March 31, 2015, the NCUA OIG issued report number OIG-15-07<sup>8</sup> regarding the NCUA's charge card programs. Overall, we determined that the NCUA's three charge card programs posed a low risk of illegal, improper, or erroneous purchases and payments. Based upon this assessment, we did not perform an audit of the purchase card or centrally billed travel card programs. However, we did perform an audit of the individually billed travel card program.

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<sup>6</sup> Fiscal Year 2016 Risk Assessments of the NCUA's Charge Card Programs Report #OIG-17-13  
<https://www.ncua.gov/About/Pages/inspector-general/audit-reports/Documents/oig-ncua-charge-card-risk-assessments-fy-2016.pdf>

<sup>7</sup> Review of National Credit Union Administration's Purchase and Travel Card Programs Report #OIG-16-07  
[https://www.ncua.gov/About/Pages/inspector-general/audit-reports/Documents/OIG-16-07\\_Review\\_of\\_NCUA\\_FY2015\\_Purchase-Travel\\_Card%20Programs.PDF](https://www.ncua.gov/About/Pages/inspector-general/audit-reports/Documents/OIG-16-07_Review_of_NCUA_FY2015_Purchase-Travel_Card%20Programs.PDF)

<sup>8</sup> Review of National Credit Union Administration's Purchase and Travel Card Programs Report #OIG-15-07  
<https://www.ncua.gov/About/leadership/CO/OIG/Documents/OIG2015CardReview.pdf>



Although we noted minimal misuse of the NCUA charge cards, we made two suggestions to NCUA management related to training and management review.



## RESULTS IN DETAIL

In compliance with the Charge Card Act, we conducted risk assessments of the NCUA's purchase and travel card programs to analyze the risks of illegal, improper, or erroneous purchases. We used these risk assessments to determine the necessary scope, frequency, and number of audits or reviews to these programs. For each of these programs, we assessed risks the agency faces from both internal and external sources, estimated each risk's significance, and assessed the likelihood of occurrence. Based on these assessments, we determined that the NCUA's centrally billed purchase and travel card programs pose a low risk for illegal, improper, or erroneous purchases and payments. However, we determined that the NCUA's individually billed travel card program posed a medium risk during our scope period due to internal control gaps. Because the agency addressed the identified risks, we did not perform an audit of the purchase card or travel card programs. In addition, we determined that the NCUA does not meet the criteria established in the Act to report violations and purchase card misuse to OMB.

To conduct the risk assessments, we reviewed fiscal year 2017 charge card data, documentation, and information provided by NCUA officials; however, we did not independently verify or validate the data obtained. We assessed the charge card programs based on the results of prior OIG audits, size (in terms of dollars), internal control assessments, employee training, documented policies and procedures, results of travel card transaction reviews, reported purchase card violations, and OIG Office of Investigations observations.

### Charge Card Management Plan

We determined that NCUA management did not prepare or submit a Charge Card Management Plan in accordance with OMB A-123, Appendix B. As discussed in the Background section of this report, OMB A-123, Appendix B, requires each federal agency to prepare a Plan that includes specific elements and to submit that Plan no later than January 31 of each year. In addition, OMB M-13-21 requires that the NCUA review and update its Plan, as necessary, to reflect certain control activities and provide other semiannual and annual submissions and certifications. However, NCUA management did maintain policy and procedure manuals, which contained almost all of the elements required in the Plan. We learned that because the agency did not meet the January 31, 2017 reporting deadline, NCUA management decided to prepare the 2017 and 2018 Plans concurrently and intends to submit both in 2018. The Plans, Narrative Reports, and Statistical Reports are currently undergoing management revisions; therefore, we are not making any recommendations at this time.

### Internal Controls over the Charge Card Programs

During our risk assessments of the NCUA's three charge card programs, we determined that management maintained internal controls over these programs; however, internal control gaps existed during our scope period. Specifically, we obtained the Compliance Summary matrix<sup>9</sup>

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<sup>9</sup> The Compliance Summary matrix details the internal control requirements in the Act.



from the GSA SmartPay website<sup>10</sup> and reviewed the NCUA's policies, directives, and procedures to determine whether the required safeguards and internal controls were in place. We also interviewed the A/OPC for both the travel and purchase card programs to determine whether internal control gaps existed. Although the agency documented nearly all of the internal controls listed in the Compliance Summary matrix in policy and procedure manuals, we learned internal controls gaps existed within some of the individually billed travel card processes due to employee vacancies within OCFO.<sup>11</sup> The travel card A/OPC told us that the internal control gaps created by the vacancies occurred for approximately six months during fiscal year 2017; however, the agency filled the vacant positions, which eliminated the identified internal control gaps.

We obtained the names of the individuals performing travel card responsibilities and confirmed that the agency assigned them to perform duties where the internal control gaps previously existed. We also determined the NCUA's documented policies and procedures for the charge card programs contained most of the internal controls in the Compliance Summary matrix; however, we noted that the revised Travel Card Manual did not include the monitoring of inactive travel card accounts. When we inquired as to whether the NCUA monitored inactive accounts, the travel card A/OPC told us that the newly assigned travel card staff would perform these procedures and the agency recently discussed reducing credit limits for infrequent travelers to \$1.

## Charge Card Reviews

### *Results of Prior Audits, Reviews, and Risk Assessments*

In conducting our risk assessments, we considered the results of prior OIG audits, reviews, and risk assessments. In these prior engagements, we performed transaction testing and reviewed internal controls for the three charge card programs, and we determined the risk of these programs to be low. While we did note instances of internal control deficiencies and misuse of the centrally billed purchase and individually billed travel cards, we made recommendations and suggestions to management to improve these programs. We followed up on the status of our prior recommendations and noted that management had taken action to address each of the recommendations by updating policies and procedures. Because management recently made these updates and we recognize that internal control gaps existed in 2017 due to insufficient staffing levels, we did not verify or test whether management implemented these changes in fiscal year 2017.

We reviewed the NCUA's Federal Managers' Financial Integrity Act (FMFIA) of 1982 Statement of Assurance for any identified internal control matters related to the purchase and travel card programs and did not note any internal control matters related to these programs. As

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<sup>10</sup> <https://smartpay.gsa.gov/content/compliance-summary-matrix>

<sup>11</sup> OCFO divided the A/OPC responsibilities between two individuals within the office. The purchase card responsibilities moved to the Division of Procurement and Facilities Management within OCFO while the travel card responsibilities remained with the Division of Financial Control.



part of the FMFIA compliance, management conducted its own risk assessments of the charge card programs. In these risk assessments, management determined the NCUA's purchase card program to be low risk to the agency. Although management identified that the purchase card program could be subject to fraud, waste, and abuse, they considered the impact and likelihood of this risk to be low. Management also determined the following risks for the travel card program: 1) lack of sufficient human resources to complete travel card program tasks 2) travel reimbursements not reimbursed in accordance with policy 3) travel not booked in accordance with policy and 4) employees who falsify reports and records. NCUA management rated the likelihood and impact of some of these risks as high and probable to occur due to the internal control gaps created by insufficient staffing within OCFO. However, as previously mentioned, the agency reduced these risks by filling vacancies.

We reviewed the results of the NCUA's 2017 and 2016 financial statement audit reports to determine whether the independent auditor identified deficiencies in internal controls over financial reporting. The financial statement reports did not identify issues related to the NCUA's purchase or travel card programs.

#### *Charge Card Transaction Reviews*

As part of our risk assessment for the individually billed travel card program, we obtained the travel card quarterly reviews performed by both OCFO and regional management to 1) confirm whether management regularly conducts quarterly reviews over travel card transactions for misuse or abuse, and 2) determine the nature and scope of the quarterly reviews. We determined that management conducted quarterly transaction reviews for its travel card program during fiscal year 2017. These quarterly reviews identified improper transactions such as:

- personal purchases,
- reloading reward cards;
- expensing supplies in excess of the allowable reimbursement,
- use of the card for routine commuting transportation, and
- use of the card when not in travel status.

Management reviewed each matter and counseled the employees on the improper charges. In addition, management ensured the travel cardholders did not request reimbursement for unallowable charges. If the travel cardholder requested an erroneous reimbursement, management ensured the proper resolution of these reimbursements. For some quarterly reviews performed by the NCUA's Regions, management identified questionable charges and indicated there were no issues because a supervisor approved the charges or the cardholder properly excluded charges from the reimbursement request. For these transactions, we could not determine from the quarterly review documentation submitted to OCFO whether 1) these charges



were allowable travel charges and 2) management counseled the cardholder on the proper use of the travel card if the charges were improper. The NCUA requires all employees to take travel card training when they are hired and to take refresher training every three years. We determined that OCFO offered refresher training to all travel cardholders in 2015. OCFO plans to conduct refresher training in 2018.

We also obtained the purchase card violations occurring during fiscal year 2017. We determined that OCFO conducted purchase card transaction reviews and identified one purchase card violation. The purchase card A/OPC receives daily notifications from JPMC for any declined transactions or transactions that indicate possible split purchases. The A/OPC received one split purchase notification that resulted in a violation. The A/OPC contacted the cardholder, and the cardholder explained that they split the charges to avoid the \$7,500 single purchase limit. The cardholder and the A/OPC had a one-on-one training session regarding split purchases. The Acquisition Policy Manual and the yearly Purchase Card training addresses split purchases.

In addition, we determined the NCUA began requiring purchase card logs with the September 21, 2016 reporting cycle. Each office maintains a purchase card log and associated receipts for review. A supervisor or purchase card transaction approver reviews and signs the purchase card logs monthly. The purchase card A/OPC began reviewing purchase card logs quarterly in 2018. The A/OPC conducts quarterly purchase card reviews to analyze split purchases, declines, and multiple charges to the same vendor, which should be under a purchase or subject to competition.

### *OCFO Reporting to OIG*

For fiscal year 2017, OCFO made no complaints of alleged fraud or misuse of purchase and travel cards to OIG Office of Investigations. We also confirmed with the Office of Investigations that no travel card investigations occurred.

OCFO forwarded delinquency reports to OIG for outstanding travel card balances greater than 60 days. We confirmed that OCFO submitted delinquency reports for all months where travel card delinquencies exceeded 60 days. We also confirmed OCFO suspended the delinquent travel cards from further use. During fiscal year 2017, OCFO closed two travel card accounts due to delinquency.

### **Risk Assessments**

We considered potential risks for all three charge card programs and analyzed each risk to determine the risk's impact and likelihood. We consider the greatest risk to the NCUA to be reputational risk. The NCUA is a regulatory agency, and therefore reputation is paramount to its effectiveness. We also considered internal control gaps created by staffing changes and vacancies as a risk.



We considered the results of our prior audits and reviews and internal controls in place related to these programs. Based on our risk assessments, we determined the likelihood and impact of the identified risks would not increase the overall risk for fiscal year 2017 for the centrally billed purchase or travel card programs. However, we concluded the risk to the individually billed travel card program increased during our scope period due to identified internal control gaps. Although we determined internal control gaps existed due to insufficient travel card staffing during fiscal year 2017, the agency addressed these internal controls gaps by filling these vacancies, which we believe should eliminate these gaps going forward.

### *Risk Assessment Ratings*

Based on our risk assessments, we concluded that the risk of illegal, improper, or erroneous purchases and payments through the NCUA's centrally billed purchase card and travel card programs was low. However, we concluded that the risk for the individually billed travel card program increased from a low risk in fiscal year 2016 to medium risk in fiscal year 2017. Because the agency addressed identified risks, we determined not to conduct an audit for fiscal year 2017. We will continue to conduct annual risk assessments of the NCUA's purchase and travel card programs to determine whether an audit is necessary.

### **Joint Semi-Annual Report to OMB on Purchase Card Violations**

The Charge Card Act states that executive agencies with more than \$10,000,000 in purchase card spending annually must submit to the Director of the Office of Management Budget a joint report on violations semiannually. In fiscal year 2017, the NCUA's purchase card spending was approximately \$2,429,205. Therefore, the NCUA does not meet the criteria established in the Act to report violations and purchase card misuse to OMB.



## Appendix A: Objective, Scope, and Methodology

We developed our objectives for this engagement based on requirements in the Act. Specifically, our objectives were to:

- Assess, identify, and analyze risks of illegal, improper, or erroneous purchases and payments made through the NCUA's purchase and travel card programs;
- Determine whether the results of our risk assessments justify performing an audit in compliance with Government Auditing Standards;
- Coordinate with appropriate agency officials on a joint semiannual report to the OMB on any purchase card violations meeting the criteria established in the Act.

To accomplish our risk assessments, we performed procedures at the NCUA's Central Office in Alexandria, VA. The scope of this engagement focused on the NCUA's three charge card programs and the agency's compliance with applicable provisions of the Act. The scope period covered transaction activity from October 1, 2016 through September 30, 2017. To achieve our objective, we:

- Reviewed the Charge Card Act and OMB M-13-21 regarding requirements that apply to the NCUA;
- Reviewed the NCUA's policies, directives, and procedures for each of its three charge card programs;
- Reviewed the NCUA's FMFIA Statement of Assurance for any identified internal control matters related to the purchase and travel card programs;
- Determined whether the NCUA maintained and annually submitted its Charge Card Management Plan no later than January 31 for the assessment period;
- Determined whether the NCUA summarized its overall results in completed compliance summaries and internal assurance assessments in its annual Plans;
- Determined the dollar amounts and other relevant statistical information for the NCUA's purchase and travel card programs for fiscal year 2017;
- Identified potential risks to the programs and assessed the probability and impact of each risk;
- Reviewed prior OIG reports and determined whether the agency addressed prior year recommendations;



- Determined whether the NCUA conducted training for its charge card programs;
- Reviewed JPMC's SmartPay2 system Unusual Activity Report for fiscal year 2017;
- Obtained and reviewed cardholder transaction history for all three charge card programs from JPMC's SmartPay2 system;
- Determined whether the NCUA maintained purchase card logs, receipts, and approvals;
- Determined whether the NCUA conducted reviews over the centrally billed purchase card program;
- Reviewed the results of the NCUA's quarterly reviews conducted over the individually billed travel card program;
- Judgmentally selected and reviewed JPMC travel card transactions with unusual Merchant Category Codes and compared to travel cardholder reimbursement vouchers in Concur; and
- Determined whether the NCUA monitored delinquent travel card accounts.

As noted above, we obtained computer-generated data from JPMC's SmartPay2 system and the NCUA's Concur travel reimbursement system to obtain cardholder information and charge card transaction data. We did not test controls over these systems.

We conducted the risk assessments from January 2018 through March 2018. The risk assessments were not audits and therefore we did not conduct them in accordance with generally accepted government auditing standards. The results of these risk assessments should not be interpreted to conclude that travel and purchase card programs are free of illegal, improper, or erroneous use, or internal control deficiencies. We designed the risk assessments to identify the programs where the OIG should focus its resources.



## Appendix B: Acronyms and Abbreviations

<b>Act</b>	Government Charge Card Abuse Prevention Act of 2012
<b>A/OPC</b>	Agency/Organization Program Coordinator
<b>CBA</b>	Centrally Billed Accounts
<b>DPFM</b>	Division of Procurement and Facilities Management
<b>FAR</b>	Federal Acquisition Regulation
<b>FMFIA</b>	Federal Managers' Financial Integrity Act
<b>GSA</b>	Government Services Administration
<b>IBA</b>	Individually Billed Accounts
<b>JPMC</b>	JP Morgan Chase
<b>NCUA</b>	National Credit Union Administration
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>Plan</b>	Charge Card Management Plan
<b>RD</b>	Regional Director