

OFFICE OF
INSPECTOR GENERAL

Report of Inspection

Distribution, Usage and
Control of Purchase and Travel
Cards at the
Farm Credit Administration
I-09-01

JUNE 30, 2009



FARM CREDIT ADMINISTRATION

Farm Credit Administration

Office of Inspector General
1501 Farm Credit Drive
McLean, Virginia 22102-5090



June 30, 2009

The Honorable Leland A. Strom
Chairman of the Board
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Chairman Strom:

The Office of the Inspector General completed an inspection of Distribution, Usage and Control of Purchase and Travel Cards at the Farm Credit Administration (FCA). The objective of this inspection was to determine the effectiveness and efficiency of the credit card program at FCA.

We found that FCA has adequate internal controls and there were no notable delinquencies or misuses. During the course of the inspection, the Office of Management Services (OMS) initiated enhancements to internal controls. The OMS agreed to further improve the program by updating policies and procedures, determining if the distribution of travel cards to all FCA employees is appropriate, and providing supervisors with more information concerning government travel of their direct report cardholders.

We appreciate the courtesies and professionalism extended to OIG staff. If you have any questions about this inspection, I would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink that reads 'Carl A. Clinefelter'.

Carl A. Clinefelter
Inspector General

Enclosure

Office of the Inspector General



DISTRIBUTION, USAGE AND CONTROL OF
PURCHASE AND TRAVEL CARDS AT THE FCA

OIG INSPECTION 09-01



Inspection Objective



- To determine the effectiveness and efficiency of the implementation of government purchase and travel cards at FCA using standards set forth by the Government Accountability Office and Appendix B of the Office of Management and Budget (OMB) Circular A-123 (revised January 2009).
- To review:
 - FCA's distribution of purchase and travel cards,
 - FCA employees' use of purchase and travel cards,
 - The Agency's purchase and travel card controls to mitigate the risk of fraud, misuse, and delinquency, and
 - Agency actions in response to recommendations made in prior purchase card inspections.

Inspection Scope

- Identify the users and degree of usage of the purchase and travel cards by FCA employees during calendar year 2008.
- Identify the relationships between FCA, the Bureau of the Public Debt (BPD), issuing bank, and the General Services Administration (GSA).

❖ MILESTONES

- Entrance conference – January 21, 2009
- Fieldwork – January through May 2009
- Exit Conference – June 24, 2009
- Inspection in accordance with the President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency “Quality Standards for Inspections.”

General Background

- GSA manages the Federal government's charge card program, known as SmartPay. Through SmartPay, agencies are able to select charge card products and services from contracts negotiated with major banks. The contracts allow agencies to select the type of charge cards, depending on their needs. At FCA, we have purchase cards, travel cards, and a fleet card. This report focuses on purchase and travel cards.
- OMB prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, misuse and delinquency in government charge card programs [Appendix B of OMB Circular A-123 (Revised January 2009)]. This guidance, incorporating prior guidance and recommendations from GAO, establishes standard minimum requirements and suggested best practices for government charge card practices. The requirements must be included in "internal agency regulations, procedures and training materials," constituting a charge card management plan. FCA has adopted many of the best practices. Notably, FCA stringently uses the retail blocking option for Merchant Category Codes (MCC) and sets reasonable transaction and monthly credit limits.



Purchase Cards Background

- The government purchase card program began in 1982 (E.O. 12352).
- Through the National Performance Review (NPR) and amendment of the Federal Acquisition Streamlining Act (FASA) in 1993-1994, a micro-purchase threshold was established and purchase card use expanded and became the “preferred method” for making micro-purchases (was \$2,500, in 2006 became \$3,000).
- Key components having roles and responsibilities in administering the SmartPay program at FCA include:
 - Office of Management Services (OMS),
 - Client Services and Communication Team,
 - Agency/Organization Program Coordinator (APC),
 - Designated Billing Official,
 - Cardholder, and
 - Approving Official for each Cardholder.



Purchase Cards Background

- FCA partners with BPD and Citibank to provide credit card services. BPD has an Agency Coordinator and acts as liaison between BPD Finance, GSA, and Citibank.
- During calendar year 2008, FCA charged a total of \$883,297.54 on purchase cards. OIG has previously completed two evaluations of purchase cards:



- *Purchase Card Inspection 02-07*, September 9, 2002; and
 - *FCA's IMPAC Program, A98-03*, August 11, 1998.
- The reports concluded that the use of credit cards had streamlined the procurement process, and goods and services were acquired more quickly. All recommendations made in the reports were agreed to and accomplished by FCA management.



Purchase Cards Findings

■ Safeguards and controls are adequate.

23
Cardholders
Total

- Effective span of control in limiting issuance to 23 cardholders throughout FCA.

20 / \$3,000
per
transaction

- 20 of the cardholders have a limit of \$3,000 per transaction (micro-purchase).

17 / \$10,000
monthly limit

- 17 of the cardholders have a monthly limit of \$10,000. Must ask permission to exceed.

3 / higher
than
\$10,000 limit

- A few staff members (3) in OMS have higher limits because they potentially handle higher priced procurements. Documentation and adherence to process is examined annually. Files are kept for 3 years.



Purchase Cards Findings

■ Internal controls

- Cardholders must obtain prior approval by an Approving Official and subsequent review of purchase card activity.
- Purchases must be documented by cardholder and Approving Official in a Purchase Activity Log.
- Tight controls on MCC causes blocking of all but normal business expenses (since 2006). Permission must be granted by the APC to unblock a charge to a blocked expense.
- Training is required for cardholders, Approving Officials and the APC and that person's backup before cards are approved and issued. Refresher training provided online through BPD required every 3 years.



Purchase Cards Findings

- Transaction reviews are effective. Monthly review and authorization to pay bill by FCA of all purchases. Any suspicious charges are questioned.
- BPD does annual random audit of purchase card logs.
- During calendar year 2008, the timeframe used during this inspection cycle, there was no need for disciplinary proceedings due to misuse or abuse.
- Convenience checks are used in rare instances where a vendor does not accept a purchase card. They are discouraged and used very sparingly. Only 1 cardholder per office. There is a 2% service charge for use of checks.
- Purchase card review is included in Agency management control plan, A-123. OMS will conduct the review of this assessable unit, which is scheduled for June 2009.



Purchase Cards Conclusion

Each agency must develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirement of A-123, App. B. Although FCA uses BPD's Government Purchase Card Procedures dated March 2008, has a draft operating procedure, and puts out periodic guidance on appropriate purchase card use, the guidance should be consolidated. Some references in the operating procedures should be updated.



Purchase Cards Agreed-Upon Action

1. OMS will update the Purchase Card policy and procedures to include:
 - A link to the FCA Credit Card Management Plan which will be updated and submitted to OMB annually.
 - Consolidation of existing guidance on purchase cards.
 - A section on inappropriate actions and/or charges, including a link to PPM 826.



Travel Cards Background

- Public Law 105-264 and Section 301-51.1 of the Federal Travel Regulation (FTR) establishes:
 - Use of government travel card is mandatory for government travel (exemption from mandatory use - 5 or less uses per year).
 - Must be used for official government travel **only**.
 - Travel charged to individually billed accounts **must** be paid on time by the individual cardholder.
 - In April 2005, it became permissible to split disbursement of the travel voucher reimbursement between charge card vendor and traveler.



Travel Cards Findings

- All FCA employees have travel cards (not temporary or contract employees).
- Employees are individually billed and therefore liable as opposed to Centrally billed (government liability).
- During calendar year 2008 travel card charges made by FCA staff include:



Lodging	\$713,452.46
Airlines	\$849,056.63
Rental Cars	\$130,342.06

Travel Cards Findings



- During 2008, no delinquencies over 60 days at FCA. No card suspended.
- Adequate internal controls.
- Tight controls on MCCs causes only common business expenses to be approved.
- Monthly limit of \$8,000 per credit card cycle [exception: in 2008, one Board Member's limit increased for international travel] .
- ATM access has limits of \$210/day and \$1,050/week.
- During this inspection, OMS started to collect travel data for 3-month increments in order to begin the practice of giving an employee's travel card data to the supervisor as a tool to review travel costs to ensure employees who have charges on their official government charge card were on official travel when charges were incurred.



Travel Cards Findings

- During this review, OMS began doing monthly reviews of randomly selected FCA travel cardholders to ensure the following:
 1. For Temporary Duty (TDY) expenses, employee was in travel status,
 2. ATM withdrawals are made in accordance with Agency policy,
 3. All charges are appropriate and related to official Government travel.

If there are questionable charges or ATM withdrawals, the employee is contacted to ascertain the validity of the charge.

Any appearance of fraud or wrongdoing is to be reported by the APC to the OMS Director and OIG.



Travel Card Findings

- PPM 711 is outdated. It refers to “Bank of America” throughout, including contact numbers for lost cards. It also references duties for supervisors to “review on a monthly basis, a report of each employee’s card activity.” This practice was not taking place during the period reviewed in this inspection.
- Many FCA employees have a travel credit card and do not travel. There is an inherent risk in providing a credit card without need. Even though the risk is minimal because the employee retains liability for payment of charges, the Agency is responsible for tracking usage and control of the card.



Conclusion

- ✓ While there are prudent controls and adequate monitoring of travel card usage, Agency policies and procedures should be updated. This would enable a user to have a single reference tool, possibly including links to references, and would enable the Agency to enhance its Management Control Plan.
- ✓ It may be useful to review the distribution of travel cards and to consider further dollar limitation or reduced activation.



Travel Cards

Agreed-Upon Actions

2. OMS will update travel policy and procedure, PPM 711, to include:
 - A statement that credit worthiness may be assessed by the contract bank prior to issuance of a travel charge card to a first time cardholder.
 - Changing references from an individual financial institution to “contract bank”.
 - Incorporating BPD’s role.
3. Determine whether to place restrictive limitations on cards for travel cardholders with limited activity, or deactivate the cards during periods when not in travel or authorized use. Include restrictions and policy determinations on card distribution in the updated policy and procedure.
4. Each quarter, beginning July 2009, OMS will provide Office Directors with a Travel Card Transaction report showing all charges to individuals’ government travel cards.