



**FY 2015 REVIEW OF NCUA'S PURCHASE  
AND TRAVEL CARD PROGRAMS**

**Report #OIG-16-07**

**June 29, 2016**



A handwritten signature in black ink, appearing to read "James W. Hagen".

*James W. Hagen*  
*Inspector General*



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## EXECUTIVE SUMMARY

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this review as required by the *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act). Specifically, we conducted a risk assessment of NCUA's individually billed accounts (IBA) travel card program and centrally billed accounts (CBA) travel and purchase card programs. In addition, because NCUA exceeded the Act's \$10 million threshold, we conducted a limited-scope audit of NCUA's IBA travel card program.<sup>1</sup>

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. 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

Authorized purchase cardholders can use a purchase card to buy goods and services that can generally be purchased with a Purchase Order (PO). The only exceptions to this are airfare and other travel. Purchases made using the purchase card must not exceed the single transaction limit of \$10,000 or purchases above the monthly purchase card limit. On April 16, 2015, NCUA notified employees of a change in the single purchase transaction limit from \$10,000 to \$7,500 in accordance with the NCUA Procurement Manual Chapter IV Section B. The NCUA Procurement Manual requires competition among three or more vendors for purchases over \$7,500<sup>2</sup> and that all travel expenses must be charged to a travel card (CBA or IBA) and not the office purchase card.

NCUA issues travel cards to most of its approximately 1,224 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>3</sup>

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<sup>1</sup> Our review focused on terminated employees because we conducted a full-scope audit over NCUA's Travel Card Program covering the period from 2012-2014 and determined it to be low risk. See OIG-15-07: <https://www.ncua.gov/About/leadership/CO/OIG/Documents/OIG2015CardReview.pdf>

<sup>2</sup> The Division of Procurement and Facilities Management, the Asset Management and Assistance Center, and the Office of the Board have higher limits and are exempt from this change.

<sup>3</sup> Travel and Transportation Reform Act of 1998, P.L. 105-264, and Federal Travel Regulation 41 CFR 300-301



The objectives of this engagement were to:

- Assess, identify, and analyze the risks of illegal, improper, or erroneous purchases and payments made through 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;
- Conduct an audit of the travel card program in compliance with GAS to determine the effectiveness of program controls, policies, and procedures over terminated employees and
- 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 Charge Card Act.

This engagement encompassed all three charge card programs and covered activity from October 1, 2014, through September 30, 2015. Based upon our risk assessments, we determined that NCUA's three charge card programs pose a low risk of illegal, improper, or erroneous purchases and payments. Therefore, we did not perform an audit of the purchase card or centrally billed travel card programs. However, we did perform a limited-scope audit of the IBA travel card program, focused on terminated<sup>4</sup> employees. We determined that program controls, policies, and procedures over this area could be improved. In addition, because 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.

Although we noted inadvertent use of NCUA charge cards, we are making one recommendation for NCUA's Purchase Card program related to unauthorized purchases. In addition, we are making 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.

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

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<sup>4</sup> For purposes of this report, terminated employees are employees who cease to be employed by the agency in accordance with the Charge Card Act.



## BACKGROUND

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### Government Charge Card Programs

On October 5, 2012, the President signed into law the *Government Charge Card Abuse Prevention Act of 2012* (Charge Card 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 Charge Card Act mandates that:

- Each head of an executive agency with more than \$10 million in purchase card spending annually, and each agency's Inspector General, submit a semiannual report on violations or other actions to the OMB.
- The Inspector General of each agency conducts an annual risk assessment of the agency purchase card, convenience check, and travel card programs to analyze risks of illegal, improper, or erroneous purchases, and to perform audits of transactions as necessary. Findings of the audits along with recommendations are to be reported to the executive agency, OMB, and the Congress.
- Audits for travel cards shall be required for agencies with \$10 million in prior year travel spending.

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 350 agencies/organizations holding over 3 million cards participating in the program, which has spending of \$28.4 billion annually on roughly 89.3 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.



## NCUA Charge Card Programs

NCUA is an independent federal agency that regulates, charters, and supervises federally insured credit unions. In 2015, NCUA relied upon approximately 1,224 employees to carry out its insurance, consumer protection, and regulatory roles in its Central Office, Asset Management and Assistance Center, and five regional offices. NCUA's 2015 budget was approximately \$279.5 million with slightly over \$18 million in charge card spending.

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

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 NCUA's total charge card activity for Fiscal Year (FY) 2015:

**Table 1. FY 2015 NCUA Total Charge Card Activity**

	Purchase Card	Travel Card (CBA)	Travel Card (IBA)	Total
<b>Total Amount - All Transactions</b>	\$3,908,379	\$760,894	\$13,413,376	\$18,082,649
<b>Total Transactions</b>	4,344	5,403	98,707	108,454
<b>Total Active Cards on 9/30/2015</b>	42	11	1,113	1,166
<b>Average Transaction Amount</b>	\$900	\$141	\$136	
<b>Average Amount per Card</b>	\$93,057	\$69,172	\$12,052	

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

## Charge Card Program Policy and Procedures

NCUA's procurement authority permits the agency to obtain goods and services required to fulfill its mission. Although NCUA is exempt from complying with the Federal Acquisition Regulation (FAR), NCUA uses the FAR for guidance. NCUA uses its Procurement Manual to guide agency contracting activity. Charge cards are one method used by NCUA to satisfy its



procurement needs. NCUA's Travel Manual and Collective Bargaining Agreement, Article 14, Travel and Expense Reimbursement, governs use of its IBA Travel Card program.

### Purchase Cards

As of September 2015, NCUA authorized forty-two individuals to procure goods and services for the agency using purchase cards. NCUA issues purchase cards to an individual for use only by that individual. In accordance with the NCUA Procurement Manual, authorized cardholders can use purchase cards for any official business expense that can be purchased through the NCUA procurement program, except airfare, other travel, and purchases exceeding the single or monthly transaction limits. All travel expenses must be charged to a travel card and not the office purchase card.

The Procurement Manual states that generally, a single transaction limit is \$10,000 and the monthly limit is \$25,000; however, on April 16, 2015, NCUA notified employees of a change in the single purchase transaction limit lowering it from \$10,000 to \$7,500.<sup>5</sup> NCUA made this change to bring the limits into alignment with competition requirements outlined in Procurement Manual Chapter IV, Section B.<sup>6</sup>

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 Procurement Manual using the office purchase card. Each regional office can establish its own procedures for requesting purchase card procurements. At a minimum, however, 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. Additionally, the NCUA Charge Card Program Coordinator (or delegated employee) reviews the consolidated purchase card statements each month for the agency. The Charge Card Program Coordinator brings any noted questionable or inappropriate charges to the attention of the appropriate RD or office director for justification and resolution.

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<sup>5</sup> The Division of Procurement and Facilities Management, the Asset Management and Assistance Center, and the Office of the Board have higher limits and are exempt from this change.

<sup>6</sup> Under competition requirements, the requesting office must obtain three or more written price quotes from responsible businesses for purchases between \$7,500.01 and \$100,000.



### Travel Cards

NCUA issues travel charge cards to most of its 1,224 employees. Federal travel regulations<sup>7</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.

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. lodging and/or meal costs) which exceed authorized amounts could and may infrequently occur. 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.

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.

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<sup>7</sup> Travel and Transportation Reform Act of 1998, P.L. 105-264, and Federal Travel Regulation 41 CFR 300-301.



## RESULTS IN DETAIL

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In compliance with the Charge Card Act, we conducted risk assessments of 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 NCUA's three charge card programs pose a low risk for illegal, improper, or erroneous purchases and payments; therefore, we did not perform an audit of the purchase card or centrally billed travel card programs. In addition, we determined that NCUA does not meet the criteria established in the Charge Card Act to report violations and purchase card misuse to OMB.

We performed an audit of the IBA travel card program in compliance with the \$10 million threshold set forth in the Charge Card Act; however, we limited the scope of the review to NCUA's efforts to cancel IBA travel cards upon an employee's separation from the agency. The results of our audit determined that: 1) although the Charge Card Coordinator cancelled all cards for separated employees, he did not cancel 69 percent of issued travel cards immediately upon the employee's separation from the agency; and 2) NCUA does not have back-up controls over card cancellation during Charge Card Coordinator absences. Although we determined NCUA's IBA Travel Card Program to be low risk, we believe there are areas where NCUA management could make improvements to this program.

### CBA Purchase Card Program

#### Improvements Needed Over CBA Purchase Card Program

During our risk assessment of CBA purchase cards, we identified questionable or unallowable purchase card transactions. Specifically, we identified fifteen transactions where employees inadvertently used their purchase card for travel expenses as well as split transactions<sup>8</sup> to circumvent single purchase limits. GSA guidelines strictly prohibit cardholders from using their purchase cards for these types of transactions. In addition, during our review of program controls, we determined that NCUA did not require cardholders to maintain purchase logs<sup>9</sup> and did not have a formal policy in place for purchase card reconciliations<sup>10</sup> at the cardholder level. GSA guidelines require purchase cardholders maintain a purchase log and perform monthly reconciliations. We believe purchase card logs and reconciliations could have not only helped cardholders better track every purchase, but could have also revealed the questionable or unallowable purchase card

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<sup>8</sup> NCUA defines splitting transactions as intentionally dividing purchases into pieces to stay under the single purchase limit on an assigned purchase card. This is called "splitting the purchase." All parts of a defined need are considered one purchase.

<sup>9</sup> Purchase logs enable the cardholder to track the requester of each purchase, purchases that have not yet posted, remaining monthly credit limits, and performance of monthly statement reconciliations.

<sup>10</sup> Reconciliations include reviewing receipts, citing proper accounting codes, documenting disputed items in the purchase log, and comparing the log to the monthly purchase card statement.



transactions we identified. We determined that management drafted and issued new purchase card guidance prior to issuance of this report.<sup>11</sup> The Purchase Card Manual addresses prohibited purchases such as those for travel, purchase card log requirements, purchase card reconciliations, GSA training requirements, and split transactions. We believe implementation of the new manual should improve the CBA purchase card program.

To assess the risks of NCUA's purchase card program, we:

- Reviewed agency policies and procedures for controls required by the Charge Card Act,
- Identified and considered potential risks of the purchase card program, and
- Conducted transaction testing to review these controls.

Our transaction testing effort consisted of all purchase card activity from JPMC for the scope period of our review. We initially reviewed all purchase card transaction merchant category codes<sup>12</sup> (MCCs) for reasonableness to determine which transactions we should select for testing. We selected transactions we determined to be associated with MCCs with the potential for high risk of illegal, improper, or erroneous purchases and payments.<sup>13</sup> Ultimately, based on our reasonable test, we selected transactions associated with 33 CBA purchase card accounts from a universe of 42 cardholders. Table 2 (below) provides the dollar amounts we tested compared to the universe of transactions:

**Table 2. FY 2015 Tested Amounts vs. Total Universe**

	Total Number of Transactions	Total Transaction Amount
<b>Total Purchase Card Activity</b>	4,344	\$3,908,379
<b>Total Transactions Reviewed</b>	135	\$605,342

Source: OCFO, JPMorgan Chase, Auditor Review

<sup>11</sup> Management issued a Draft Purchase Card Manual for agency comment on September 28, 2015 with comments due by October 12, 2015. Prior to issuance of this report, management issued the Purchase Card Manual in final on June 13, 2016.

<sup>12</sup> A merchant category code is a four-digit number used by JP Morgan Chase to classify vendor types.

<sup>13</sup> We reviewed purchase card transactions, which included MCCs such as hotels, transportation services, sporting good and discount stores, and automotive service shops.



For selected transactions, we:

- Inquired with the cardholder to obtain the required supporting documentation.
- Reviewed the supporting documentation for:
  - Segregation of duties in the review and approval process,
  - Correct dollar amounts,
  - Contracting officer (CO) approval (if required),
  - Split transactions, and
  - Unallowable charges.
- Followed up with the cardholder, as necessary, to clarify the provided documentation.

As previously mentioned, the results of our purchase card testing identified fifteen transactions we determined to be questionable or unallowable. These included such transactions as employees using purchase cards for travel expenses and splitting transactions to circumvent the single purchase limit.

NCUA Purchase Card guidance states that cardholders must charge individual travel expenses to a travel card, rather than a purchase card. However, the Procurement Manual does allow for the use of a government purchase card to reserve hotels for meetings and lodging for groups. Our review identified five cardholders who erroneously used their CBA purchase card for individual hotel reservations. We determined these cardholders used their purchase cards to book individual lodging for purposes such as a new employee attending regional orientation; an interviewee applying for a vacancy with NCUA; and for a contractor to speak at an NCUA sponsored event. For the speaking engagement, we question whether NCUA followed its procurement guidelines given that the contractor's lodging expense was 1) not included as part of an itemized bill for the event, and 2) NCUA made the lodging arrangements for the contractor and paid for this individual's lodging separately using a purchase card.

In addition to the travel purchases noted above, we also identified two CBA cardholders who split five purchases<sup>14</sup> that exceeded NCUA's \$7,500 single purchase limit. As previously mentioned, GSA<sup>15</sup> does not permit cardholders to split purchases into multiple purchases to avoid exceeding the single-purchase limit. We asked the first cardholder about the four split purchases. The cardholder explained that if he had not split the purchase into multiple

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<sup>14</sup> One cardholder split four purchases into eight transactions and the other cardholder split one purchase into two.

<sup>15</sup> GSA requires agencies to provide GSA SmartPay Purchase Card Training to cardholders every three years in accordance with OMB Circular A-123 Appendix B.



transactions, it would have exceeded the card’s purchase limit. The cardholder advised us that at that time, he was unaware of the policy prohibiting splitting purchases because he had not received purchase card training. We could not ask the other cardholder about their split purchase because this individual had separated from NCUA.

In these circumstances, the Procurement Manual is clear that cardholders should request authorization for an increase in their single purchase limit from the CO. After approval by the CO, the Charge Card Coordinator will grant a temporary increase in the single purchase limit to accommodate approved transactions.

Table 3 (below) provides additional details regarding the questionable or unallowable charges related to CBA purchase cards:

**Table 3. OIG Questioned Costs for CBA Purchase Cards**

Type of Improper Charge	Number of Charge Cards	Number of Transactions	Dollar Amount
- Travel Expenses (Hotel) for Individuals	5	5	\$1,015
- Split Transactions	2	10*	\$78,709
<b>TOTALS</b>	7	15	\$79,724

*\* These ten transactions resulted from splitting five purchases.*

According to the Charge Card Act, each executive agency that issues and uses purchase cards shall establish and maintain safeguards and internal controls to ensure that effective systems, techniques, and technologies are used to prevent or identify illegal, improper, or erroneous purchases. During our review of program controls, we determined that NCUA did not require cardholders to maintain purchase logs and did not have a formal policy or guidance in place for purchase card reconciliations at the cardholder level. The GSA SmartPay Training utilized by NCUA requires purchase cardholders to maintain a purchase log and perform monthly reconciliations.

The Charge Card Coordinator indicated that he performs a reconciliation at the Centrally Billed Account level where JPMC rolls up all transactions into one account. The Charge Card Coordinator indicated he confirms transactions to the JPMC statements and reviews the statements for unusual items. Although purchase cardholders do not currently maintain purchase logs, we confirmed that cardholders do reconcile their purchase card accounts in various ways. For example, we learned some offices use a manual process by reviewing and signing hard copy documents and others use the JPMC system.

As previously mentioned, NCUA management issued a Purchase Card Manual during the course of our review. The new manual is in accordance with GSA SmartPay Training requirements and addresses the same issue areas we identified during our review.



The new Purchase Card Manual addresses the following:

- Ensures cardholders and transaction approvers receive training to increase awareness of allowable purchase card use and charges;
- Requires purchase cardholders to maintain purchase card logs for all purchase card transactions; and
- Requires that purchase cardholders reconcile their purchase card logs to the corresponding monthly purchase card statement.

In addition, although purchase cardholders used their purchase cards to pay for travel or travel-related expenses, we concluded that in each case, the questionable transactions were for official government purchases. Further, one cardholder told us she used the purchase card because she did not have a CBA travel card. Regardless, because cardholders used their purchase cards for travel related expenses; NCUA was not in compliance with the GSA SmartPay2 Master Contract. Therefore, we are making the following recommendation to NCUA management.

### **Recommendation**

We recommend NCUA management:

1. Communicate to all office directors and CBA purchase cardholders that for any contracted services below \$7,500 that include travel, a centrally billed purchase card should not to be used to separately book and pay for any associated travel and travel-related expenses.

### **Management Response**

Management agreed with the recommendation and included it as policy in the Purchase Card Manual released on June 13, 2016. Management indicated they also plan to emphasize this policy during Purchase Card Manual training.

### **OIG Response**

We concur with management's action taken to date, as well as planned actions.

### ***Risk Assessment Rating***

Although we identified inadvertent use of CBA purchase cards, we assessed the magnitude, likelihood, and the financial and reputational impact of each transaction. We also reviewed the internal control environment over purchase cards given the compensating controls performed by



the Charge Card Coordinator and several individual cardholders. After taking all of the factors of our risk assessment into consideration, we assigned an overall risk assessment rating of “Low” for NCUA’s Purchase Card Program and therefore did not conduct an audit of NCUA’s CBA purchase card program for FY 2015.

**CBA Travel Card Risk Assessment**

**Centrally Billed  
Account Travel Cards  
Used Appropriately**

We identified no exceptions during our risk assessment of CBA travel cards. As a result, we assigned an overall risk rating of “Low” and therefore did not conduct an audit of NCUA’s CBA Travel Card Program for FY 2015.

We judgmentally selected three CBA travel cards to review transaction activity. From each of these cards, we judgmentally selected five transactions to review. These 15 transactions totaled approximately \$24,000. We noted one questionable charge with a restaurant MCC description, which we determined to be an allowable meeting room expense for audio/visual equipment rental. We determined that the remainder of the transactions were allowable hotel and airline charges. Due to the results of our testing of NCUA’s CBA Travel Card Program, we have no recommendations or suggestions for improvement in this area. Table 4 (below) presents a summary of our testing for CBA travel cards.

**Table 4. FY 2015 Centrally Billed Accounts for Travel**

	<b>Total Number of Transactions</b>	<b>Total Transaction Amount</b>
<b>Total CBA Travel Card Activity</b>	5,403	\$760,894
<b>Total Transactions Reviewed</b>	15	\$24,004
<b>Total Improper Charges</b>	0	\$0

*Source: OCFO, JPMorgan Chase, Auditor Review*

**IBA Travel Card Program**

NCUA had over \$10 million in travel card purchases in FY 2015, therefore, we conducted an audit of the agency’s travel card program in accordance with the Charge Card Act. We also conducted a risk assessment of NCUA’s Travel Card Program for IBA in accordance with OMB guidance,<sup>16</sup> which requires periodic risk assessments of agency travel card programs to analyze the risks of illegal, improper, or erroneous purchases. Because we last conducted a full-scope audit over this area covering FY 2013 (OIG-15-07), which determined NCUA’s travel card

<sup>16</sup> OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012.



program was low risk, we conducted this IBA Travel Card risk assessment to determine whether NCUA's risk had changed. Further, we conducted a limited-scope audit focused on terminated employees to ensure that safeguards and internal controls over this aspect of NCUA's charge card program are in compliance with the Charge Card Act. Following, are the results of both our risk assessment, as well as the results of our limited-scope audit over IBA travel cards issued to employees who separated service from NCUA during FY 2015.

### *Risk Assessment*

#### **Negligible Misuse of Individually Billed Travel Cards**

We identified negligible misuse of NCUA's travel card program for IBA. Specifically, during our risk assessment, we identified six questionable or improper transactions that occurred during FY 2015.

The Charge Card Act requires agencies to use effective systems, techniques, and technologies to prevent or identify improper purchases. In November 2001, NCUA issued a policy implementing a quarterly review process to request and review cardholder activity of a random sample of staff for appropriateness. However, our review of the policy determined it provided no specific guidance over the sampling methodology or depth of the review. As a result, we identified inconsistencies within NCUA's quarterly review process that we believe may have prevented NCUA from detecting the questionable transactions we identified. In September 2015, NCUA revised its quarterly review process within the Travel Card Manual to detect misuse and abuse.<sup>17</sup> The revised guidance provides specific instructions on how managers are to conduct the reviews. However, as discussed later in this report, the risk-based approach NCUA now uses to review transactions may not identify some types of improper purchases.

### *Results*

We conducted two separate tests over IBA travel cards. The first centered on high risk MCCs and the second on the selection of three travel cards. For each of these testing efforts, we obtained a listing of all transaction-related activity from JPMC. For the high risk MCCs, we judgmentally selected 23 transactions from the total population of all transactions based upon MCC's that we determined were at a higher risk for misuse.<sup>18</sup> In addition, we judgmentally selected three travel cards to review all transactions over \$75. For each of these testing efforts, we reviewed employee travel reimbursement vouchers in Concur for description(s) of the transaction, business purpose, a copy of the invoice/receipt, and any associated documentation related to the claim for reimbursement. When we identified any unusual transactions, missing documentation, or transactions not entered into the Concur travel voucher system, we inquired with the cardholder(s) and requested they provide the information.

<sup>17</sup> The revised policy requires management to review all transactions for activity such as unusual MCCs, unusual merchant names, and unusual travel locations.

<sup>18</sup> We reviewed travel card transactions, which included MCCs such as membership organizations, electronic sales, women's ready-to-wear stores, and variety stores.



Because of the large number of transactions we tested in our prior year audit of the IBA Travel Card Program, we judgmentally selected areas previously identified as needing improvement. Further, in our prior year audit, we suggested to NCUA management that they provide more robust and transaction specific training to ensure that all cardholders are aware of what constitutes allowable charges. As a result, NCUA management implemented refresher card training for travel cards in June 2015.

Table 5 (below) provides details related to the total number and dollar amount of all transactions we reviewed.

**Table 5. FY 2015 Tested Amounts vs. Total Universe**

	Total Number of Transactions	Total Transaction Amount
<b>Total IBA Travel Card Activity</b>	98,707	\$13,413,376
<b>Total Transactions Reviewed</b>	164	\$51,077

Source: OCFO, JPMorgan Chase, Auditor Review

As a result of our two testing efforts, we identified six questionable transactions related to our testing of specific IBA’s. Each testing effort identified three questionable transactions. As shown in Table 6 (below), the MCC testing effort identified one issue with membership dues and two transactions where the JPMC imported receipts did not contain sufficient information at the itemized transaction level. The employee cardholder testing effort identified three transactions related to personal travel.

**Table 6. OIG Questioned Costs for IBA Travel Cards**

Type of Improper Charge	Number of Charge Cards	Number of Transactions	Dollar Amount
<b>MCC Testing:</b>			
- Membership Dues	1	1	\$75
- Lack of Satisfactory Documentation **	2	2	\$2,707
<b>Cardholder Testing:</b>			
- Personal Use	1	3	\$1,651
<b>TOTALS</b>	4	6	\$4,433

\*\* With exception of some travel or travel related expenses, receipts not required for transactions under \$75



As previously mentioned, we noted one instance where an employee used their travel card to purchase professional membership dues – an unauthorized expense. We also noted an instance where one employee had inadvertently used the travel card for personal travel expenses. In this instance, we traced the expenses back to the employee's travel voucher and confirmed that the employee had not submitted the expenses for reimbursement by the agency. Because the employee had rightfully not submitted the expense for reimbursement, we inquired with the employee and requested the supporting documentation for these transactions. Our review of the receipts disclosed that the employee used their IBA Travel Card to purchase two airline tickets for persons other than the cardholder and a rental car for non-business purposes.

As part of our risk assessment, we also obtained the quarterly reviews performed by both OCFO and regional management to confirm 1) whether management regularly conducts quarterly reviews over travel card transactions for misuse or abuse, and 2) to determine the nature and scope of the quarterly reviews.

Although management conducted quarterly reviews, we determined that NCUA lacked specific guidance over the sampling methodology or depth of the review. As a result, we discovered significant differences in how management conducted quarterly reviews across regional offices. For example, we identified one region that scanned every transaction for the entire quarter (4,596 transactions) searching for unusual activity and reported to the Charge Card Coordinator “no apparent or unauthorized transactions were found.” Another region indicated: “We reviewed seventy-three cards randomly and had 35 cards with questionable charges.” A third region reported to the Charge Card Coordinator that they “found five accounts that contained questionable charges” with no explanation of their sampling methodology. In all instances, management went back and asked the cardholders with questionable transactions to provide additional information and explanation.

We reviewed the September 2015 quarterly review guidance and determined that management could improve the sampling methodology. While the quarterly review sampling methodology in the September 2015 Travel manual provides good guidance on how to select unusual transactions for review, we believe this process may not have identified the airline tickets purchased for non-NCUA employees or the personal rental car charge because neither of these items would necessarily appear as unusual transactions. Therefore, we caution management to consider that improper use of IBA travel cards can still occur if the sampling methodology, in part, instructs reviewing officials to focus on unusual transactions within particular MCCs.

In addition, although the purchase of airline tickets and other travel-related expenses may not appear to a reviewing official as unusual, these types of purchases are “improper” if not purchased for an authorized NCUA travel purpose. We believe most employees using their travel card improperly would not submit the transaction for reimbursement through Concur.<sup>19</sup>

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<sup>19</sup> NCUA uses the Concur web based reimbursement system. This system provides electronic preparation, approval, and payment of travel expenses incurred by NCUA employees.



However, without further inquiry and investigation into all types of transactions, improper use of the travel card may go undetected. Therefore, we believe NCUA needs to improve its sampling methodology.

We determined the quarterly reviews conducted during 2015 identified such improper transactions as:

- Personal purchases,
- Reimbursement of airline tickets to employees with no reduction to their travel vouchers,
- Reimbursements in excess of expenses incurred,
- Use of the card for routine commuting transportation, and
- Inadequate explanations of reimbursable expenses in the employees' travel reimbursement vouchers.

We followed up on these specific items and learned that management reviewed each matter and counseled the employees on the improper charges and missing required receipts. In addition, management ensured the resolution of erroneous reimbursements. NCUA provides periodic training to employees on the proper use of IBA travel cards and management conducts quarterly transaction reviews. However, management did not institute guidance over quarterly reviews until September 2015. Given that management did not discover the six issues we previously identified above through their quarterly reviews, we believe NCUA management could improve its IBA travel card program quarterly review process.

Although the September 2015 quarterly review process provides a good method to identify and review unusual transactions, we believe management should supplement the method to ensure the review includes all types of transactions and not just transactions judgmentally determined to be unusual. As stated in the November 2001 policy, we believe a quarterly review process that includes selecting a random sample of staff and reviewing all cardholder activity would identify improper charges that management may not discover through judgmentally scanning a statement looking for "unusual" transactions. Therefore, we are making the following suggestion to help improve this aspect of the IBA Travel Card program.

### **Suggestion**

We suggest NCUA Management:

1. Consider revising the quarterly review sampling methodology to include, in addition to a sample of high-risk MCC transactions, a statistical or computer-aided sample of a limited number of cardholders that covers all IBA charge card activity for travel and travel-related transactions.



## Management Response

Management indicated they will consider expanding the quarterly review methodology to include a statistical or computer-aided sample of a limited number of cardholders that covers all IBA charge card activity for travel and travel-related transactions. Management plans to perform an analysis of the methodology and make a determination whether they need to update the Travel Card Manual by August 31, 2016.

## OIG Response

We concur with management's planned actions.

During our review, we also determined that NCUA's 2015 Collective Bargaining Agreement allows examiners to use imported charge card receipts to satisfy travel card transactions within Concur for transactions over \$75. However, we learned that some imported JPMC charge card receipts do not contain sufficient information at the itemized transaction level. The Charge Card Act requires agencies to use effective systems, techniques, and technologies to prevent or identify improper purchases. NCUA's 2015 Collective Bargaining Agreement states in part:

“...employees must attach required receipts electronically to the expense report within the e-Travel system,” however the CBA also states “...imported charge card receipts also satisfy this requirement.”

Although NCUA's Labor and Employee Relations office is working to resolve this issue, we believe NCUA Management cannot be certain that some approved transactions over \$75 are proper. Therefore, we are making the following suggestion.

## Suggestion

We suggest NCUA Management:

2. Ensure employees provide adequate documentation, at the itemized transaction level, for expenses over \$75 submitted for reimbursement. Itemized transaction level would include, for example, the item description, quantity, unit price, and total amount of the purchase.

## Management Response

Management agreed with the suggestion and plans to continue to emphasize during travel card trainings that employees must retain receipts for travel card charges of \$75 or greater. Management also plans to determine the possibility of revising the existing travel FAQs to include new language instructing employees to enter itemized comments for credit card charges/receipts until the next update of the Collective Bargaining Agreement. In addition,



management indicated they plan to make a determination on an update of the Non-Bargaining Unit (NBU) Travel Manual by August 31, 2016.

### **OIG Response**

We concur with management's planned actions.

### ***Risk Assessment Rating***

Because we believe improper use of the IBA travel card to be negligible based on our transaction testing, we assigned an overall risk rating of "low" and did not conduct a full-scope audit of NCUA's IBA Travel Card Program for FY 2015.

### ***Limited-Scope Audit of Terminated Employee Travel Cards***

#### **Controls Over Travel Card Cancellation Need Improvement**

We determined NCUA could improve controls over cancellation of IBA Travel Cards upon employee separation from the agency. Specifically, we determined 1) NCUA did not cancel 69 percent of its travel cards immediately upon the employee's separation from the agency; and 2) NCUA does not have back-up controls over card cancellation during Charge Card Coordinator absences. The Charge Card Act requires agency officials to cancel an employee's travel card immediately upon separation of service. When NCUA does not immediately cancel terminated employee travel cards, the agency risks tarnishing its reputation for professionalism and adherence to the highest ethical standards, which could cost NCUA its ability to maintain public confidence as an oversight authority.

During the scope period of our review, NCUA travel card spending totaled over \$13.4 million. Therefore, we performed an audit of the IBA travel card program in compliance with the Charge Card Act; however, as previously mentioned, due to significant transaction testing in our prior year travel card audit, we limited our scope to NCUA's efforts to cancel IBA travel cards upon an employee's separation from the agency.

The Charge Card Act requires, in part, the following safeguards and internal controls:

- Each executive agency with employees that use travel charge cards must establish and maintain internal control activities to ensure the proper, efficient, and effective use of such travel cards.
- Agencies must ensure that the travel charge card of each employee who ceases to be employed by the agency is invalidated immediately upon termination of employment of the employee.



We learned during our review that an employee wishing to separate from NCUA must complete an OHR exit survey within NCUA's SharePoint<sup>20</sup> site, where selection of a separation date initiates the process. Upon completion of the exit survey, SharePoint automatically generates an email to various offices within the agency.<sup>21</sup> The Charge Card Coordinator explained that when he receives this email notification, he adds the employee's name to an Exit Listing along with their separation date. The Charge Card Coordinator stated that he checks the Exit Listing periodically to determine if there are any travel cards in need of cancellation and cancels the card in the JPMC system.

To assess NCUA's compliance with the Charge Card Act's provisions over card cancellation, we interviewed individuals involved in the employee separation process, as well as the Charge Card Coordinator to gain a thorough understanding of the process NCUA follows to cancel travel cards. After verifying the accuracy of the number of terminated employees, we determined that 108 employees separated service during FY 2015. Of these 108 employees, 93 held IBA Travel Cards in need of cancellation. We verified the card cancellation dates with JPMC for the 93 cards and determined that NCUA had cancelled 64 of the cards (approximately 69 percent) after the employee had separated service. We then judgmentally selected all cards cancelled over ten business days after the employee's separation date to determine the cause of the delay.<sup>22</sup> In addition, for all 64 cards, we confirmed with JPMC there had been no purchase activity on these accounts after the employee separated service from NCUA.

Table 7 (below) provides the number and timing of cancelled IBA Travel Cards.

**Table 7. Cancellation of IBA Travel Cards**

Travel Card Cancellation	Number of Cards	Percent of Cards
- Prior to Termination Date	25	26.88%
- On Termination Date	4	4.3%
- After Termination Date	64	68.82%
<b>TOTALS</b>	93	100%

Source: OCFO, JPMorgan Chase, Auditor Review

<sup>20</sup> Organizations use SharePoint to create websites. It can be used as a secure place to store, organize, share, and access information from almost any device with a web browser.

<sup>21</sup> We judgmentally selected 10 percent of terminated employees and determined that during FY 2015, the Charge Card Coordinator received the SharePoint Exit notification email an average of eleven business days prior to an employee exiting the agency.

<sup>22</sup> Our judgmental sample identified eleven travel cards cancelled over ten business days after the employee's separation date.



We inquired with the Charge Card Coordinator about NCUA's charge card closure practices for exiting employees. The Coordinator explained that because the JPMC system cannot accept future dates for card closure, he reviews the Exit Listing approximately once per week to identify any cards in need of cancellation. During our review, we calculated that the Coordinator took an average of seven business days to close the aforementioned 93 cards. Although the Coordinator took an average of seven business days to close these cards, we identified three card closures delayed as long as 141, 100, and 61 business days following the employee's separation from NCUA. The Coordinator explained these particular cases were due to oversight. For the other delayed card closures in our sample, the Coordinator indicated he did not know the reason for the delays, but added that he may have been out of the office in meetings or on a leave of absence.

During our review, NCUA revised the Travel Card Manual by establishing a new semi-annual procedure where the Coordinator compares a separation listing provided to him from OHR to his Exit Listing to ensure he does not exclude any separated employees. Although this new procedure will prevent charge cards from remaining open indefinitely, it will not prevent delays in cancellation.

As previously mentioned, when NCUA does not immediately cancel terminated employee travel cards, the agency risks tarnishing its reputation for professionalism and adherence to the highest ethical standards, which could cost NCUA its ability to maintain public confidence as an oversight authority. Therefore, we are making the following recommendation.

### **Recommendation**

We recommend NCUA management:

2. Develop procedures to ensure immediate cancellation of IBA Travel Cards upon employee separation of service from NCUA.

### **Management Response**

Management agreed with the recommendation, and plans to develop procedures to ensure immediate cancellation of IBA Travel Cards upon employee separation of service. Management also plans to determine whether they need to update the Travel Card Manual by August 31, 2016.

### **OIG Response**

We concur with management's planned actions.



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

The Charge Card Act states that executive agencies with more than \$10 million in purchase card spending annually must submit to the Director of the Office of Management Budget a joint report on violations semiannually. In FY 2015, purchase card spending for NCUA was approximately \$3.9 million. Therefore, NCUA does not meet the criteria established in the Charge Card 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 Charge Card Act. Specifically, our objectives were to:

- Assess, identify, and analyze risks of illegal, improper, or erroneous purchases and payments made through 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;
- Conduct an audit of the travel card program in compliance with GAS to determine the effectiveness of program controls, policies, and procedures over terminated employees; and
- Coordinate with appropriate agency officials on a joint semiannual report to the OMB on any purchase card violations meeting the criteria established in the Charge Card Act.

To accomplish our review, we performed fieldwork at NCUA's Central Office in Alexandria, VA, and contacted cardholders in each of NCUA's five regions. The scope of this review focused on NCUA's three charge card programs and the agency's compliance with applicable provisions of the Charge Card Act. The scope period of our review covered transaction activity from October 1, 2014 through September 30, 2015. To achieve our objective, we:

- Reviewed policies, directives, and procedures for each of NCUA's three charge card programs;
- Interviewed NCUA management officials having oversight of the charge card programs;
- Obtained cardholder transaction history for all three charge card programs from JPMC's SmartPay2 system;
- Selected and analyzed a judgmental sample of cardholder accounts and related transactions;
- Conducted reasonable tests of transactions from selected cardholder accounts;
- Verified JPMC transactions to NCUA's Concur travel reimbursement system; and
- Contacted and inquired with individual cardholders on questionable transactions.

As noted above, we obtained computer-generated data from JPMC's SmartPay2 system and NCUA's Concur travel reimbursement system to obtain cardholder information and charge card



transaction data. We did not test controls over these systems. However, we relied on our analysis of the information and interviews to corroborate data obtained from these systems to support our audit conclusions.

We conducted this audit from August 2015 through June 2016 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Prior Audit Coverage**

On March 31, 2015, the NCUA OIG issued report [OIG-15-07<sup>23</sup>](#) regarding the NCUA's charge card programs. Overall, we determined that 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. Although we noted minimal misuse of NCUA charge cards, we made two suggestions to NCUA management related to training and management review.

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<sup>23</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>



## Appendix B: NCUA Management Response



National Credit Union Administration

OCFO/MG/TW:mg  
SSIC 1910

SENT VIA E-MAIL

**TO:** Inspector General Jim Hagen

**FROM:** Executive Director Mark Treichel

**SUBJ:** Management Response - Review of NCUA's Purchase and Travel Card Programs

**DATE:** June 28, 2016

The following is our response to the suggestions and recommendations set forth in the Office of Inspector General's draft report titled Review of NCUA's FY2015 Purchase and Travel Card Programs (Report #OIG-16-xx). We consider effective internal controls to be a critical component for the protection against the misuse of government issued travel and purchase charge cards.

### **OIG Review – Centrally Billed Account (CBA) Purchase Card Program**

#### **OIG Recommendation**

Communicate to all office directors and CBA purchase cardholders that for any contracted services below \$7,500 that include travel, a centrally billed purchase card should not be used to separately book and pay for any associated travel and travel-related expenses.

#### **Management Response**

We concur with this recommendation as a matter of policy, and we have included this policy in the Purchase Card Manual mentioned in this report. We will emphasize this policy during the Purchase Card Manual training scheduled to be completed by September 30, 2016.

### **OIG Review – Individually Billed Account (IBA) Travel Card Program**

#### **OIG Suggestion**

Consider revising the quarterly review sampling methodology to include, in addition to a sample of high-risk transactions, a statistical or computer aided sample of a limited number of cardholders that covers all IBA charge card activity for travel and travel-related transactions.

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1775 Duke Street - Alexandria, VA 22314-3428 - 703-518-6300



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**Management Response**

Management piloted a random sampling process including the selection of random staff and reviewing cardholder activities. We recently changed our audit process to a risk based approach of reviewing travel card transactions.

NCUA will consider expanding the quarterly review methodology to include, in addition to a sample of high-risk transactions, a statistical or computer aided sample of a limited number of cardholders that covers all IBA charge card activity for travel and travel-related transactions. We will do an analysis and make a determination if we need to update the Travel Card Manual by August 31, 2016.

**OIG Suggestion**

Ensure employees provide adequate documentation, at the itemized transaction level, for expenses over \$75 submitted for reimbursement. Itemized transaction level would include, for example, the item description, quantity, unit price, and total amount of the purchase.

**Management Response**

We concur that some imported JPMC charge card receipts may not contain sufficient information at the itemized transaction level and that sufficient supporting documentation should be retained for travel card purchases (greater than \$75 for most purchases).

NCUA is working with the Employee and Labor Relations to determine whether new language can be added to the existing travel FAQs instructing employees to enter itemized comments for credit card charges/receipts until the next update of the Collective Bargaining Agreement. In the meantime, we will also continue to emphasize during our travel card trainings that employees must retain receipts for travel card charges of \$75 or greater.

In addition, NCUA will do the analysis and make a determination to update the Non-Bargaining Unit Travel Manual (NBU) by August 31, 2016.

**OIG Recommendations**

Develop procedures to ensure immediate cancellation of IBA Travel Cards upon employee separation of service from NCUA.

**Management Response**

We concur that travel cards should be closed upon the employee's separation from the agency and have backup personnel during Travel Card Coordinator absences.

NCUA will develop procedures to ensure immediate cancellation of IBA Travel Cards upon employee separation of service from NCUA. NCUA has taken steps by monitoring cancellation of exiting employee cards on a daily basis until we have an improved solution. Also, NCUA started reviewing employees separation report obtained from the Office of Human Resources (OHR) on a monthly basis. In addition, NCUA has established backup personnel in absence of the travel card coordinator.



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NCUA is researching other possible solutions. Based on our finding from this research, we will make a determination if we need to make an update to the Travel Card Manual by August 31, 2016.

Thank you for the opportunity to review and comment on the report.



## Appendix C: Acronyms and Abbreviations

Act	Government Charge Card Abuse Prevention Act of 2012
CBA	Centrally Billed Accounts
CO	Contracting Officer
FAR	Federal Acquisition Regulation
GSA	Government Services Administration
IBA	Individually Billed Accounts
MCC	Merchant Category Code
NCUA	National Credit Union Administration
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
PO	Purchase Order