



OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

Assessment of USAID's Purchase Card Program Showed Low Risk of Improper Purchases and Payments in Fiscal Year 2020

REPORT 0-000-21-007-C
JULY 16, 2021

1300 Pennsylvania Avenue NW • Washington, DC 20523
<https://oig.usaid.gov> • 202-712-1150

Office of Inspector General, U.S. Agency for International Development

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MEMORANDUM

DATE: July 16, 2021

TO: USAID, Chief Financial Officer, Reginald W. Mitchell

FROM: Deputy Assistant Inspector General for Audit, Alvin A. Brown /s/

SUBJECT: Assessment of USAID's Purchase Card Program Showed Low Risk of Improper Purchases and Payments in Fiscal Year 2020 (0-000-21-007-C)

Enclosed is the final report on the risk assessment of USAID's management of purchase cards for fiscal year (FY) 2020. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of GKA P.C. Certified Public Accountants and Management Consultants (GKA) to conduct the assessment. The contract required the audit firm to perform the risk assessment in accordance with the Government Charge Card Abuse Prevention Act (Charge Card Act) of 2012 (Public Law 112-194), Office of Management and Budget Circular No. A-123, Appendix B, "A Risk Management Framework for Government" (dated August 27, 2019), and the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspections and Evaluations.

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and inquired of its representatives. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We found no instances in which GKA did not comply, in all material respects, with applicable standards.

The risk assessment objectives were to assess, identify and analyze the risks of illegal, improper, or erroneous purchases and payments; and to determine whether the results of the risk assessment justify performing an audit in compliance with the Charge Card Act. To answer the objectives, GKA reviewed, among other things, USAID's policies, directives, and procedures, internal controls, compliance with laws and regulations, and agency actions to address any prior audit recommendations or allegations of misconduct or mismanagement, for USAID's purchase card program in FY 2020. The audit firm determined that purchases and expenses paid through USAID's purchase cards and agency accounts during FY 2020 totaled approximately \$5.6 million.

The audit firm concluded that the overall risk of illegal, improper, or erroneous purchases and payments through USAID's purchase card program in 2020 was low, but that the risk

assessment should not be interpreted to mean that the program is free from illegal, improper, or erroneous purchases and payments, or that the risk will remain unchanged. Additionally, the audit firm concluded that the results of its risk assessment did not warrant an audit for the use of purchase cards for FY 2020.

We appreciate the assistance provided to our staff and GKA's employees during the engagement.



1920 L Street NW, Suite 425
Washington, DC 20036
Tel: 202-857-1777
www.gkacpa.com

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

RISK ASSESSMENT OF USAID'S MANAGEMENT OF PURCHASE CARD PROGRAM FOR FISCAL YEAR 2020



Certified Public Accountants & Consultants *Member of the American Institute of Certified Public Accountants*

May 20, 2021

Inspector General
U.S. Agency for International Development
Washington, D.C.

RE: Risk Assessment of USAID's Management of Purchase Card Program for Fiscal Year 2020

This letter transmits the final report containing the results of our Risk Assessment of U.S. Agency for International Development's (USAID) Management of Purchase Cards for Fiscal Year (FY) 2020. The Government Charge Card Abuse Prevention Act of 2012 requires the Office of Inspector General (OIG) to conduct periodic risk assessments of agency purchase card programs (including convenience checks), combined integrated card programs and travel card programs to analyze the risks of illegal, improper, or erroneous purchases. The risk assessment results will be used to determine the scope, frequency, and number of audits that need to be conducted over the agency's purchase card program. GKA conducted the risk assessment on behalf of the USAID Office of Inspector General (OIG).

We conducted the risk assessment in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspections and Evaluations. We concluded that the risk of illegal, improper, or erroneous purchases and payments through USAID's use of purchase cards during the scope period was low.

The results of the risk assessment did not warrant an audit.

While we determined the risk of the purchase card program was low, the risk assessment should not be interpreted to mean that the program is free from illegal, improper, or erroneous purchases and payments, or that the risk assessment will remain unchanged.

GKA made no recommendations. USAID informally acknowledged the draft report and is not required to take any additional action to address the results (Appendix B).

We appreciate the assistance you and your staff extended to us during this risk assessment.

/S/

GKA, P.C.

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EXECUTIVE SUMMARY

GKA, P.C. (GKA) conducted a risk assessment of USAID purchase cards (including convenience checks) as required by the Government Charge Card Abuse Prevention Act of 2012 (the Act) Public Law 112-194. The purpose of the risk assessment was to analyze the risks of illegal, improper, or erroneous purchases and payments. The assessment (or engagement) was conducted on behalf of OIG.

The objectives of this engagement are to:

- Assess Purchase Card data to determine if USAID's FY 2020 purchase card program has more than \$10 million of USAID's purchase card spending. (Section 2.9 of the Office of Management and Budget (OMB) Circular A123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, revised (2019).
- Assess, identify and analyze the risks of illegal, improper or erroneous purchases and payments made through USAID's purchase card including convenience checks if applicable, integrated card programs during FY 2020.
- Determine whether the results of our risk assessment justify performing an audit in compliance with the Act.
- Coordinate with appropriate agency officials on a joint semiannual report to OMB on any purchase card violations meeting the criteria established in the Act.

The scope of this engagement are transactions occurring in FY 2020, October 1, 2019 – September 30, 2020.

The risk assessment, which was performed from February 2021 through May 2021, was conducted in accordance with the CIGIE. More information on the scope and methodology can be found in **Appendix A**.

We concluded that the overall risk of illegal, improper, or erroneous purchases and payments through USAID's use of purchase cards during the period of our risk assessment to be **low**.

The results of the risk assessment did not warrant an audit.

BACKGROUND

Government Charge Card Program

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (the Act). The Act reinforced efforts to prevent waste, fraud, and abuse of Government-wide purchase 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 Inspector General (IG) of each agency conducts periodic risk 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 report to the Director of OMB regarding the implementation of recommendations made to the head of the executive agency to address findings of any risk assessment (or audit) of purchase card and convenience check transactions or programs; and that the Director comply the information and transmit it to Congress and the Comptroller General.
- The IG of each executive agency with more than \$10 million 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 U.S. General Services Administration (GSA) SmartPay¹ programs provide charge cards to U.S. federal agencies, organizations, and Native American tribal governments (agencies), through master contracts negotiated with major national banks. There are currently over 500 agencies holding over 5 million cards participating in the program. The program had spending of \$28.7 billion in FY 2020 on roughly 73.4 million transactions. USAID recorded over 4,000 transactions through purchase cards totaling approximately \$5.6 million in FY 2020.

In June 2007, the GSA Office of Charge Card Management (CCM) awarded the GSA SmartPay master contracts to Citibank, JP Morgan Chase (JPMC), and U.S. Bank. Through these contracts, agencies can obtain several different types of charge cards to support their mission needs. These include:

- 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.

¹ SmartPay2 and SmartPay3

- Integrated Cards – for two or more business lines (card types) whose processes are integrated into one card: and
- Convenience Checks - instruments that are written, dated and signed against a card/account within established dollar limits.

Charge Card Management Plan

Appendix B to OMB A-123 requires agencies to maintain a Charge Card Management Plan (the Plan) which must include:

- Identification of key management officials and their responsibilities for each business line.
- Establishment of a process for written appointment of purchase and integrated (purchase business line) cardholders per FAR-1.603-3(b).
- Implementation of a process to ensure the credit worthiness of new charge card applicants.
- Description of agency training requirements.
- Management controls, policies, and practices for ensuring appropriate charge card and convenience check use and oversight of fraud, misuse and delinquency.
- Establishment of appropriate authorization controls.
- Acknowledgment of agency policies and practices developed to ensure appropriate consideration by cardholders of category management, Acquisition Gateway, and strategic sourcing arrangements.
- 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.
- Policies for the closure or transfer of charge cards and maintenance of other documentation when employees terminate employment, and if applicable, when an employee moves to different organization.

Agencies are 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 USAID to Citibank are not also reimbursed to an employee or an employee's individually billed account;
- To deter employee misuse of government cards, USAID 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, USAID must summarize its overall results in completed compliance summaries and internal control assurance assessments in its annual Plan.

USAID Charge Card Program

The USAID Worldwide Purchase Card Program became effective throughout USAID in 1998. USAID selected the Citibank “Visa” card for Purchase and Travel Card services from the GSA SmartPay Program umbrella.

Under the USAID Purchase Card Program, the Bureau for Management, Office of Acquisition and Assistance, Cost Audit Support Division (M/OAA/CAS) and the Mission Supervisory Contracting Officer (SCO) or Regional Contracting Officer (RCO) for each overseas Mission must conduct an annual review of Cardholder records after the end of each fiscal year. The annual review allows USAID to continually improve program operations and ensure that Cardholders and Approving Officials (AO) comply with established policies, regulations, and operating procedures.

M/OAA/CAS (typically, the Agency Program Coordinator (APC) or other M/OAA/CAS staff members, as needed) will conduct annual reviews for all Bureau/ Independent Office (B/IO) in USAID/Washington after the end of each fiscal year. The SCO/RCO or another Mission contracting officer, as designated by the SCO/RCO, must review the previous fiscal year’s purchase card activity in the first quarter of the new fiscal year and report the findings to M/OAA/CAS at Smartpay2@usaid.gov by December 31 each year. The APC uses the reports to summarize the findings and propose solutions to enhance operations and ensure proper compliance. The annual review process involves:

- Reviewing a random sampling of the records of each Cardholder.
- If necessary, interviewing the program participants.
- Documenting any findings; and
- Certifying the completion of the annual review process.

RISK ASSESSMENT RESULTS IN DETAIL

GKA considered the following factors in its risk assessment of the USAID’s purchase card program: (1) program size relative to the agency’s budget; (2) program internal controls - management plan submitted; (3) program internal controls implemented; (4) prior program audit recommendation implementation; (5) the number of substantiated allegations of misconduct or mismanagement involving the program; and (6) program compliance with laws and regulations. GKA used the following scoring to determine risk for each factor.

Table 1: Scoring Guide

	Criteria	Low	Medium	High
1	Program Size: Percentage of Agency Budget	< 5 %	5 - 10 %	> 10 %
2	Internal Control: Management Plan Submitted	Complete plan submitted	Submitted plan incomplete	Plan not submitted
3	Internal Control: Controls Implemented	Controls implemented	Most controls implemented	Controls not implemented
4	Recommendations Not Addressed	0	1 – 3	> 3
5	Number of Allegations Substantiated	0	0	1
6	Laws/Regulations Not Met	1 – 3	4 – 6	> 7

Source: GKA analysis of USAID information

The USAID purchase card program does not include fleet cards or convenience checks.

CRITERIA 1 - Program Size: Percentage of Agency Budget

The USAID’s purchase card program expenditures total 0.01864% of the agency budget. Details of USAID expenditures by purchase card program is summarized below.

Table 2: Purchase Card Information October 1, 2019 – September 30, 2020²

DESCRIPTION	DATA
Number of Cards (A)	136
Number of Transactions (B)	4,010
Transaction Value (C)	\$5,591,170
Avg Spending/ Card (D = C ÷ A)	\$ 41,112
Avg Transaction Value (E = C ÷ B)	\$ 1,394
USAID Budget for FY 2020	\$30,000,000,000
Percentage of total transaction value to budget	0.0002
Financial Risk Assessment	Low

Source: GKA analysis of USAID information

² Per our discussion with USAID personnel, GSA does not differentiate between accountholder and cardholder, causing a duplication of the total number of charge cards.

CRITERIA 2 - Internal Controls: Management Plan

OMB A-123, Appendix B (Appendix B) provides guidance aimed at reducing the risk of fraud, waste, and error within government charge card programs. Appendix B establishes standard minimum requirements and best practices for purchase, travel, and fleet cards. In accordance with Appendix B, agencies must develop and maintain a Charge Card Management Plan (the Plan). The Plan should be updated annually. Charge card plans should include identifying key officials, a process for appointing officials, ensuring credit worthiness, a description of training requirements, and an explanation of how available reports are used for monitoring delinquency, misuse, and performance metrics.

USAID created a Plan for FY 2020, dated January 31, 2021. The Plan met most of the requirements. However, they did not include summarized compliance and internal control assurance assessments, Management intends to include in future Management Plans.

We determined that Criteria 2- Internal Controls: Management Plan to be **LOW**.

CRITERIA 3 - Internal Controls: Controls Implemented

USAID's Purchase Card program is managed by its Management Bureau, Office of the Chief Financial Officer, Financial Policy and Support Division (M/CFO/FPS), and Management Bureau, Office of Acquisition Assistance, Cost, Audit and Support Division (M/OAA/CAS), respectively. USAID does not maintain a fleet card program or convenience checks.

USAID publishes policies and procedures regarding the government-wide charge card programs in the Agency's Directives System (ADS). Citibank is USAID's service provider for purchase cards. Documents are maintained internally and approved by the approving officials in the Global Acquisition and Assistance System (GLAAS). The Agency Program Coordinators use monthly reports from Citibank and GSA SmartPay to monitor charge card program activity, including possible misuse and delinquency.

Cardholders, Approving Officials, and Agency Program Coordinators are required to complete training prior to cards being issued.

We determined that Criteria 3- Internal Controls: Controls Implemented to be **LOW**.

CRITERIA 4 - Prior Program Audit Recommendation Implementation

During the FY 2020 Government Management Reform Act of 1994 (GMRA) audit, the auditors did not have matters to communicate to USAID regarding Criteria 3. However, per our discussion with management, Corrective Action Plans (CAP) are created for matters that are categorized as material weaknesses or significant deficiencies. We will test purchase card transactions during the FY 2021 GMRA audit to determine any impact that findings would have on the assessment.

We determined that Criteria 4- Prior Program Audit Recommendation Implementation to be **LOW**.

CRITERIA 5 - Number of Allegations Substantiated

There were no substantiated allegations of misconduct or mismanagement involving any purchase card program reported to the OIG for the period October 1, 2019, to September 30, 2020.

We determined that Criteria 5- Number of Allegations Substantiated to be **LOW**.

CRITERIA 6 - Compliance with Laws and Regulations

The Government Charge Card Abuse Prevention Act of 2012 (the Act) and Appendix B of OMB A-123 outline requirements for agencies to help reduce the risk of fraud, waste, and error within government charge card programs. Table 3 reflects the USAID's compliance with these requirements.

Table 3: Compliance with Charge Card Program Requirements

CHARGE CARD PROGRAM REQUIREMENTS		RESULTS
A	Each agency head must provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. The certification should be included as part of, the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982.	Yes
B	An agency should summarize the overall results in the completed compliance summaries and internal control assurance assessments in the annual Charge Card Management Plan.	No
C	Maintain annually a Charge Card Management Plan	Yes
D	Maintain written policies and procedures for the appropriate use of charge cards in accordance with the requirements of the Act and Appendix B.	Yes
E	Charge card managers must review their agency's refund agreement in accordance with the requirements of the Act and Appendix B.	Yes
F	Charge card managers should conduct internal charge card program reviews on a regular basis to ensure internal control mechanisms are adequate in accordance with the requirements of Appendix B.	Yes
G	Charge card managers should perform periodic reviews of the number of charge card accounts in use for appropriateness of number as well as evaluating the span of control for approving officials in accordance with the requirements of the Act and Appendix B.	Yes

CHARGE CARD PROGRAM REQUIREMENTS		RESULTS
H	Agencies must periodically evaluate the effectiveness of the controls put in place to mitigate the risks of payment delinquencies and charge card misuse in accordance with the requirements of Appendix B.	Yes
I	Promptly resolve implementation of corrective action plans in accordance with the requirements of OMB Circular No. A-50.	N/A
J	Appropriate training is provided to each charge card holder and Approving Official	Yes
Qualitative Risk Assessment		Low (1)

Source: GKA analysis of USAID information

CONCLUSION

Based on the results of our risk assessment, we concluded that an audit was not warranted. The risk of illegal, improper, or erroneous purchases and payments being made through the USAID's Purchase Card program, during the period under our risk assessment was low. Our conclusion is based on the charge card programs' size, internal controls, the implementation of the recommendations of previous risk assessment and/or audits, substantiated allegations, and compliance with laws and regulations.

While we determined the risk associated with the use of the purchase card program is low, this should not be interpreted to mean that the program is free from illegal, improper, or erroneous purchases and payments, or that the risk will remain unchanged. A summary of our conclusions follows.

Table 4: Summary Risk Assessment Results

Criteria		Purchase Cards
1	Program Size: Percentage of Agency Budget	Low
2	Internal Control: Management Plan Submitted	Low
3	Internal Control: Controls Implemented	Low
4	Recommendations Not Addressed	Low
5	Number of Allegations Substantiated	Low
6	Laws/Regulations Not Met	Low
Summary Risk Assessment (Average)		Low

Source: GKA analysis of USAID information

APPENDIX A. SCOPE AND METHODOLOGY

Our objectives for this risk assessment were based on the requirements of the Government Charge Card Abuse Prevention Act of 2012 (the Act). Specifically, our objectives were to:

- Assess Purchase Card data to determine if USAID's FY 2020 purchase card program has more than \$10 million of USAID's purchase card spending. (Section 2.9 of OMB Circular A123, Appendix B, revised (2019).
- Assess, identify and analyze the risks of illegal, improper or erroneous purchases and payments made through USAID's purchase card including convenience checks if applicable, integrated card programs during FY 2020.
- Determine whether the results of our risk assessment justify performing an audit in compliance with the Act.
- 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 assessment, we remotely performed procedures at USAID's Office in Washington, DC. The scope of this engagement focused on the USAID's Purchase Card program and the agency's compliance with applicable provisions of the Act and covered transactions from October 1, 2019 through September 30, 2020. To achieve our objective, we:

- Reviewed the Act and Appendix B to OMB A-123 regarding requirements that apply to the USAID.
- Reviewed USAID's policies, directives, and procedures for its purchase card programs.
- Reviewed USAID's Federal Managers Financial Integrity Act (FMFIA) Statement of Assurance for any identified internal control matters related to the purchase card programs.
- Determined whether USAID maintained a Purchase Card Management Plan (the Plan) for risk assessments.
- Determined whether USAID summarized its overall risk assessment results in its annual Plan.
- Determined the dollar amounts and other relevant statistical information for USAID's Purchase Card program for fiscal year 2020.
- Identified potential risks to the programs and assessed the probability and potential impact of each risk.
- Reviewed prior OIG reports and determined whether the agency addressed prior year recommendations, if any.
- Determined whether USAID regularly monitored delinquent purchase card accounts.
- Determined whether USAID conducted training for its purchase card program; and
- Obtained and reviewed cardholder transaction history for the purchase card program with the GSA SmartPay Program.

As noted above, we obtained computer-generated data from GSA's SmartPay system to obtain cardholder information and purchase card transaction data. We assessed the reliability of the SmartPay data by (1) by reconciling the data to USAID transactional reports, (2) reviewing

existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report. We did not test controls over these systems.

We conducted the risk assessment in accordance with the CIGIE Quality Standards for Inspections and Evaluations from February 2021 through April 2021. The results of the risk assessment should not be interpreted to conclude that the purchase card program with a low risk is free of illegal, improper, or erroneous use, or internal control deficiencies. We designed the risk assessment to identify the programs where the OIG should focus its resources.

APPENDIX B. USAID’S (AGENCY) RESPONSE

USAID’s Bureau for Management, Office of Acquisition and Assistance and Office of the Chief Financial Officer have no comments on the report.

APPENDIX C. ABBREVIATIONS

Act	Government Charge Card Abuse Prevention Act of 2012
AFR	Agency Financial Report
Circular A-123, Appendix B	OMB Circular No. A-123, Appendix B (Revised August 27, 2019) <i>Improving the Management of Government Charge Card Programs</i>
CIGIE	Council of Inspectors General on Integrity and Efficiency
FAR	Federal Acquisition Regulation
FMFIA	Federal Managers' Financial Integrity Act
FTR	Federal Travel Regulation
FY	Fiscal Year
GAO	U.S. Government Accountability Office
GMRA	Government Management Reform Act of 1994
GSA	U.S. General Services Administration
JPMC	JP Morgan Chase
M/OAA/CAS	Bureau for Management, Office of Acquisition and Assistance, Cost Audit Support Division
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
Plan	Charge Card Management Plan
RCO	Regional Contracting Officer
SCO	Mission Supervisory Contracting Officer
USAID	U.S. Agency for International Development