



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Evaluation Report

Fiscal Year 2014 Risk Assessment of
the Social Security Administration's
Charge Card Programs

A-13-15-50002 | January 2015

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: January 29, 2015

Refer To:

To: The Commissioner

From: Inspector General

Subject: Fiscal Year 2014 Risk Assessment of the Social Security Administration's Charge Card Programs (A-13-15-50002)

The attached final report presents the results of our review. Our objective was to analyze the risk of illegal, improper, and erroneous purchases made through the Social Security Administration's charge card programs.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

Fiscal Year 2014 Risk Assessment of the Social Security Administration's Charge Card Programs

A-13-15-50002



January 2015

Office of Audit Report Summary

Objective

To analyze the risk of illegal, improper, and erroneous purchases made through the Social Security Administration's charge card programs.

Background

On October 5, 2012, the President signed into law the *Government Charge Card Abuse Prevention Act of 2012* (Pub. L. No. 112-194) (Act), which reinforced efforts to prevent waste, fraud, and abuse in Government-wide charge card programs.

This Act requires that all executive branch agencies implement internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. It also establishes reporting and audit requirements. Under the Act, Inspectors General are tasked with, among other things, conducting periodic risk assessments of agencies' purchase card or convenience check programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments. Similarly, the Act requires that Inspectors General of executive agencies with more than \$10 million in travel card spending periodically audit or review travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments.

Conclusions

This report addresses the requirement that we complete a risk assessment of the Social Security Administration's (SSA) charge card programs. SSA has both purchase and travel card programs and occasionally uses centrally billed accounts (CBA) for travel. In Fiscal Year (FY) 2014, SSA reported about \$60 million in purchase card use and about \$13 million in travel card expenses. SSA does not use convenience checks or integrated charge cards, so our risk assessment only addresses purchase cards, travel cards, and CBAs.

SSA has policies and procedures in place to address the requirements in the Act regarding its charge card programs. SSA designed these policies and procedures to reduce the risk of illegal, improper, and erroneous purchases made using the charge cards. Also, SSA has additional internal controls in place to assist in overseeing its charge card programs beyond those required by the Act.

In 2010, we audited SSA's purchase card program. Based on the audit findings and the data reviewed, we believe the risk associated with SSA's use of purchase cards is "low." We plan to initiate a follow-up review of the Agency's use of purchase cards in FY 2015 and examine SSA's actions to address our prior recommendations.

In 2014, we initiated an audit of SSA's travel card program. Based on our preliminary findings and the data we reviewed, we believe the risk associated with SSA's use of travel cards and CBAs is "low." We will issue a report on the results of our travel card audit in 2015.

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ABBREVIATIONS

AIMS	Administrative Instructions Manual System
ATM	Automated Teller Machine
CBA	Centrally Billed Account
FMM	Financial Management Manual
FY	Fiscal Year
OAG	Office of Acquisition and Grants
OFPO	Office of Financial Policy and Operations
OIG	Office of the Inspector General
SSA	Social Security Administration

OBJECTIVE

Our objective was to analyze the risk of illegal, improper, and erroneous purchases made through the Social Security Administration's (SSA) charge card programs.

BACKGROUND

On October 5, 2012, the President signed into law the *Government Charge Card Abuse Prevention Act of 2012*¹ (Act), which reinforced efforts to prevent waste, fraud, and abuse in Government-wide charge card programs. This Act requires that all executive branch agencies implement safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts (CBA).² The Act also requires that the Director of the Office of Management and Budget (OMB) review existing guidance and, as necessary, prescribe additional guidance governing the implementation of the requirements set forth in the Act and establish additional agency reporting and audit requirements.³

Under the Act, Inspectors General are tasked with, among other things,

- conducting periodic risk assessments of agencies' purchase card or convenience check programs;⁴
- identifying and analyzing the risks of illegal, improper, or erroneous purchases and payments; and
- developing a plan for using such risk assessments to determine the scope, frequency, and number of periodic audits of purchase card or convenience check transactions.⁵

Similarly, the Act requires that Inspectors General of executive agencies with more than \$10 million in travel card spending periodically audit or review travel card programs to analyze the risks of illegal, improper, or erroneous purchases and payments.⁶ The findings of such audits or reviews, along with recommendations to prevent improper use of travel cards, must be reported to the Director of OMB and Congress.⁷

¹ Pub. L. No. 112-194 §§ 2-4, 126 Stat. 1445-1451 (2012).

² Id.

³ Id. OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, (Revised January 2009), prescribes policies and procedures for maintaining internal controls that reduce the risk of fraud, waste, and error in Government charge card programs. See OMB A-123, App. B, Cover Memorandum.

⁴ SSA does not use convenience checks or integrated charge cards.

⁵ Pub. L. No. 112-194 § 2, 126 Stat. 1447 (2012).

⁶ Pub. L. No. 112-194 § 3, 126 Stat. 1450 (2012).

⁷ Id.

In January 2014, we issued our Fiscal Year (FY) 2013 risk assessment of SSA's charge card programs.⁸ Our assessment was that SSA had policies and procedures in place to address the requirements in the Act regarding its charge card programs. In addition, we reported the risk associated with SSA's use of purchase cards was "low" and our plans to initiate an audit of SSA's travel card program in FY 2014. We will issue a report on the results of our travel card audit in 2015.

As of October 2014, SSA had 2,987 active purchase cardholders and 23,030 active travel cardholders. We reviewed various sources of information to determine whether, at the time of our review, SSA's internal controls complied with the Act and were designed to reduce the risk of illegal, improper, or erroneous purchases in the Agency's charge card programs. See Appendix A for our scope and methodology.

Components in SSA's Office of the Deputy Commissioner for Budget, Finance, Quality and Management oversee the Agency's charge card programs. The Office of Acquisition and Grants (OAG) manages the Government purchase card program, and the Office of Financial Policy and Operations (OFPO) manages the travel card program.

RESULTS OF ANALYSIS

This report addresses the requirement that we complete a risk assessment of SSA's charge card programs. SSA has both purchase and travel card programs and uses CBAs for travel. In FY 2014, SSA reported about \$60 million in purchase card use and about \$13 million in travel card expenses. SSA reported 6,958 individuals used their travel cards. The annual average use per person was about \$1,845. SSA does not use convenience checks or integrated charge cards, so our risk assessment only addresses purchase cards, travel cards, and CBAs.

SSA has policies and procedures in place to address the requirements in the Act regarding its charge card programs. The Agency designed these policies and procedures to reduce the risk of illegal, improper, and erroneous purchases made using the charge cards. In addition to Act requirements, SSA has internal controls in place to assist in overseeing its charge card programs.

In 2010, we audited SSA's purchase card program.⁹ Based on the findings from that audit and the data reviewed, we believe the risk associated with SSA's use of purchase cards is "low." We plan to initiate a follow-up review of the Agency's use of purchase cards in FY 2015 and examine SSA's actions to address our prior recommendations during the review.

⁸ SSA OIG, *Fiscal Year 2013 Risk Assessment of the Social Security Administration's Charge Card Programs*, (A-13-14-14055), January 30, 2014.

⁹ SSA OIG, *The Social Security Administration's Government Purchase Card Program*, (A-13-09-29027), March 25, 2010.

In 2014, we initiated an audit of SSA’s travel card program.¹⁰ Based on our preliminary findings and the data we reviewed, we believe the risk associated with SSA’s use of travel cards and CBAs is “low.”

Purchase Card Assessment

To assess the risk of illegal, improper, and erroneous purchases made through SSA’s Government purchase card program, we reviewed SSA’s policies and procedures, additional internal controls, delinquent accounts, and disciplinary actions. SSA has policies and procedures designed to reduce the risk of illegal, improper, and erroneous purchases made using purchase cards. In addition, we reviewed information from our FY 2013 assessment and audit of SSA’s Government purchase card program. Based on the data reviewed, we believe the risk associated with purchases made using purchase cards is “low.”

Policies and Procedures

We determined the Agency’s policies and procedures had not been changed significantly since our FY 2013 risk assessment. SSA still has policies and procedures in place to address applicable internal control requirements identified in the Act regarding purchase cards (see Appendix B for Act requirements). Many of the Act’s requirements are documented in SSA’s 2014 Purchase Card Management Plan. As required,¹¹ the Plan outlines the Agency’s policies and procedures critical to managing its program. One requirement of the Act calls for agencies to establish and maintain safeguards and internal controls to ensure the agency uses effective systems, techniques, and technologies to prevent or identify illegal, improper, or erroneous purchases.¹² Through our review of the Purchase Card Management Plan and discussions with SSA staff, we determined SSA uses a variety of systems, techniques, and technologies to prevent or identify such purchases. For example, the Purchase Card Management Plan indicates SSA uses purchase card reports to monitor delinquency, misuse, performance metrics, and other transactions and program management issues. In addition, daily transaction reports allow the Agency to compare total charges against payment files to ensure proper payments are made. SSA’s use of purchase card reports and other techniques identified in the Purchase Card Management Plan helps the Agency prevent or identify illegal, improper, or erroneous purchases.

We also found relevant policy and procedure-related information on OAG’s Intranet Website and CitiDirect Card Management System User’s Guide. The policies and procedures on the Website and in the Guide help SSA reduce the risk of illegal, improper, or erroneous purchases in the Agency’s charge card program.

¹⁰ SSA OIG, *The Social Security Administration’s Travel Charge Card Program*, (A-13-14-11414). As of January 2015, this audit is ongoing.

¹¹ OMB, A-123, App. B (Revised January 2009).

¹² Pub. L. No. 112-194 § 2, 126 Stat. 1445-1447 (2012).

Additional Internal Controls

Similar to our prior assessment, we found SSA supplemented its policies and procedures required by the Act with internal controls to assist it in managing purchase cards. In its 2014 Purchase Card Management Plan, SSA documented several examples of these controls as best practices and effective methods for managing risk.

For example, the Act requires that periodic reviews be performed to determine whether each purchase cardholder needs the purchase card.¹³ In addition, OMB Circular A-123, Appendix B, requires that charge card managers periodically review the number of charge card accounts in use for appropriateness of number as well as evaluate the span of control for approving officials.¹⁴ SSA's policies and procedures have an additional control to limit the number of purchase cardholders. Agency administrators monitor the purchase card program to ensure the offices requesting purchase card authority adhere to SSA's general policy of limiting the number of cardholders in an office to two.¹⁵ In addition, these administrators review purchase card use, or lack of use, in an office to verify the office's justification for requesting or retaining purchase card authority.¹⁶

SSA also issues Acquisition Alerts to remind employees to comply with existing policies and regulations and inform cardholders about new policies and regulations. The Agency posts these Alerts to its Intranet site. For example, on April 3, 2014, SSA published an Alert on *Ensuring Your Potential Vendor Is Not An Excluded Party*. The Alert reminded micro-purchasers that they must ensure the vendor from which they intend to purchase is not excluded from doing business with the Government.

Delinquent Accounts and Disciplinary Actions

We requested information regarding delinquent purchase card accounts and disciplinary actions against purchase cardholders for the period July 1, 2013 through September 30, 2014. Staff reported there were no delinquent accounts during the period, and one disciplinary action had been taken against an employee for misusing the card. Our Office of Investigations reported it had not initiated any investigative cases for alleged purchase card misuse for the same period.

¹³ Pub. L. No. 112-194 § 2, 126 Stat. 1446 (2012).

¹⁴ OMB, A-123, App. B, Attachment 5 (Revised January 2009).

¹⁵ SSA, AIMS, Material Resources Manual 06.16.08 B.1. (January 2004).

¹⁶ Id.

Prior Audit Report

In 2010, we issued a report on SSA's charge card program.¹⁷ Our audit did not identify any illegal, improper, or erroneous purchases. However, we did find cardholders did not always comply with SSA's policies and procedures to document purchases. Of the 50 purchase card transactions reviewed, we found 36 (a) did not have adequate pre-approval documentation; (b) had no documentation that the goods were received and accepted; and/or (c) had no documentation provided. These transactions totaled about \$8,300. For 12 of 50 possible split purchases we examined, the cardholders circumvented their \$3,000 single-purchase limit. These purchases totaled about \$61,000.

We made four recommendations to address the deficiencies identified. SSA agreed with our recommendations. The recommendations were closed as of December 2010. See Appendix D for information regarding the recommendations. We plan to initiate a follow-up review of the purchase cards in FY 2015 to examine SSA's actions to address our prior recommendations.

Travel Card Assessment

To assess the risk of illegal, improper, and erroneous purchases made through SSA's travel card program, we reviewed SSA's policies and procedures, additional internal controls, delinquent accounts, and disciplinary actions. SSA has policies, procedures, and additional internal controls designed to reduce the risk of illegal, improper, and erroneous purchases made through its travel card program, including its CBAs. We based our risk assessment on the preliminary results from our ongoing audit of SSA's Travel Card Program.¹⁸ Based on the data reviewed, we believe the risk associated with purchases made using travel cards and CBAs is "low."

Policies and Procedures

We determined no significant changes occurred regarding the Agency's policies and procedures since our FY 2013 risk assessment. SSA still has policies and procedures in place to address applicable requirements identified in the Act regarding travel cards and CBAs (see Appendix C for Act requirements). Many of the requirements in the Act are documented in SSA's 2014 Travel Card Management Plan. As required by OMB Circular A-123, Appendix B,¹⁹ this Plan outlines the Agency's policies and procedures critical for ensuring a system of internal controls is followed and to minimize the potential for fraud, misuse, and delinquency. One requirement of the Act calls for agencies to provide appropriate training to each travel charge cardholder and

¹⁷ See Footnote 9.

¹⁸ See Footnote 10.

¹⁹ OMB, A-123, App. B, 2.2 (Revised January 2009).

each official with responsibility for overseeing the use of travel charge cards.²⁰ SSA's policy states, ". . . all new travel card applicants and APCs [Agency Program Coordinators] receive training prior to appointment." In addition, the policy indicates that travel card program participants, Agency Program Coordinators, and approving officials take refresher training every 3 years, and cardholders take refresher training when their cards expire.²¹ SSA also has policy and procedure-related information on OFPO's Intranet site and Administrative Instructions Manual System²² that provide internal controls designed to reduce the risk of illegal, improper, or erroneous purchases in the Agency's travel card program.

The Act also requires that agencies ". . . ensure that officials with the authority to approve official travel verify that [CBA] charges are not reimbursed to an employee."²³ The Agency's CBA is used to pay air or rail transportation fares. Examples of situations in which an SSA employee will use the CBA are when he/she has not received the requested travel card in time to make reservations, is granted an exception from the travel card program, needs to secure a special fare in advance of travel, or is on international travel.²⁴ Agency policy states, "When a ticket is charged to the [CBA], the traveler does not incur the expense, nor should the traveler be reimbursed for it on the travel voucher."²⁵ SSA reviews monthly CBA expenses and verifies SSA did not reimburse employees for travel cost charged to the CBA.

Additional Internal Controls

Similar to our 2013 assessment, in addition to policies and procedures addressing statutory requirements, SSA has internal controls in place to assist in managing its travel cards. In its 2014 Travel Card Management Plan, SSA documented several examples of these controls as best practices and methods effective in managing risk.

For example, SSA policy places restrictions on the credit limit for cardholders. The standard credit limit for cardholders is \$10,000.²⁶ For those cardholders ". . . who score below 660, or do not consent to a credit check but successfully complete Form SSA-6²⁷ . . ." SSA grants the cardholder a credit limit of \$2,500.²⁸ For cardholders ". . . who do not consent to a credit check

²⁰ Pub. L. No. 112-194 § 3, 126 Stat. 1449 (2012). OMB, A-123, App. B, 3.4, *supra*, also requires agencies provide training to all charge card program participants prior to appointment; refresher training, at a minimum, every 3 years; and all program participants must certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions.

²¹ SSA's *Travel Card Management Plan (Plan)*, Section 3.1 (2014).

²² SSA, AIMS, FMM 07.32.00 (September 2013) and 07.08.00 (January 2011).

²³ Pub. L. No. 112-194 § 4, 126 Stat. 1450 (2012).

²⁴ SSA, AIMS, FMM 07.08.02 (January 2011).

²⁵ SSA's *Travel Update Special Edition E2 Solutions*, page 3 (March 2009).

²⁶ *Plan*, *supra* Section 4.5 at p. 15.

²⁷ Form SSA-6, *Alternative Credit Worthiness Evaluation* is used by SSA in lieu of a credit check.

²⁸ *Id.*

and who do not successfully complete Form SSA-6 . . .” SSA policy reflects those individuals do not receive a travel card.²⁹

Delinquent Accounts and Disciplinary Actions

We obtained and reviewed information regarding delinquent travel card accounts and disciplinary actions against travel cardholders for the period July 1, 2013 through September 30, 2014. Staff reported there were delinquent travel card accounts each month. Over the 15-month period, the total dollars for delinquent travel card accounts 90 days past due ranged from \$30 to \$4,764.³⁰ In its 2014 Travel Card Management Plan, SSA reports that it has “. . . one of the lowest delinquency percentages in Government”³¹ The Plan also states CBAs are certified and paid in full within 30 days, and therefore, there are no occurrences of delinquency.³²

However, for the period July 1, 2013 through September 30, 2014, SSA reported there were delinquent travel card accounts. For this period, 1,171 travel card accounts were delinquent at least once. The highest occurrence of delinquency during this period represents only 3.55 percent of the total number of travel card accounts. Agency staff reported 20 disciplinary actions against employees for inappropriate use³³ of the travel card. Our Office of Investigations reported no investigative cases for alleged travel card or CBA misuse for the period July 1, 2013 through September 30, 2014.

Preliminary Results of Travel Card Audit

In April 2014, we initiated an audit of SSA’s travel card program.³⁴ Our objective was to assess SSA’s travel charge card program and CBA activities. Although we have not completed this audit, we have developed preliminary findings based on work completed as of January 2015.

Generally, we found SSA complied with its travel charge card policies and procedures. We identified some instances of noncompliance. However, our preliminary audit findings do not involve a significant number of employees or have a significant monetary impact.

²⁹ Id.

³⁰ Information provided by the Agency did not allow us to determine the specific number of days travel card accounts were delinquent. The information listed account delinquencies 90 days past due.

³¹ *Plan*, supra Section 8, at p. 20.

³² *Plan*, supra Section 4.2, at p. 10.

³³ Inappropriate use of the travel card includes misuse, unauthorized use, delinquent payments, and inadvertent use.

³⁴ See Footnote 10.

CONCLUSIONS

SSA has policies and procedures in place to address the requirements identified in the Act regarding management of its charge card programs. Also, SSA has internal controls in place to assist in oversight of its purchase and travel card programs beyond those required in the Act.

For the period July 1, 2013 through September 30, 2014, the Agency reported there were no delinquent accounts and one disciplinary action pertaining to the misuse of purchase cards. We identified deficiencies during our prior audit of the purchase card program. However, the Agency reported taking action to resolve the deficiencies.³⁵ We assess the risk of illegal, improper, and erroneous purchases made through SSA's purchase card program as "low." Further, we will examine SSA's actions to address our prior recommendations during a FY 2015 follow-up review of the Agency's use of purchase cards.

For the period July 1, 2013 through September 30, 2014, the Agency reported there were delinquent travel card accounts. In addition, staff reported disciplinary actions against 20 employees for inappropriate use of their travel card during the period July 1, 2013 through September 30, 2014. However, our ongoing audit of SSA's travel card program found SSA generally complied with its policies and procedures. Our preliminary audit findings do not involve a significant number of employees or have a significant monetary impact. Therefore, we assess the risk of illegal, improper, and erroneous purchases made through SSA's travel charge card program and CBA activities as "low."

³⁵ SSA OIG, *The Social Security Administration's Government Purchase Card Program*, (A-13-09-29027), March 25, 2010.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed the *Government Charge Card Abuse Prevention Act of 2012*.¹
- Reviewed Office of Management and Budget Circular A-123, Appendix B-*Improving the Management of Government Charge Card Programs* (revised January 2009).
- Reviewed Social Security Administration (SSA) policies and procedures related to charge cards.
- Reviewed prior Office of the Inspector General reports.
- Used preliminary findings and various information from ongoing OIG audit, *The Social Security Administration's Travel Charge Card Program*, (A-13-14-11414).
- Obtained and reviewed SSA's Annual Charge Card Management Plans for 2013 and 2014.
- Compared SSA policy, procedures and charge card management plans for compliance with the *Government Charge Card Abuse Prevention Act of 2012* and the Office of Management and Budget Circular A-123, Appendix B-*Improving the Management of Government Charge Card Programs* (revised January 2009).
- Obtained and reviewed reports on delinquent travel card accounts for the period July 1, 2013 through September 30, 2014.
- Obtained and reviewed reports on delinquent purchase card accounts for the period July 1, 2013 through September 30, 2014.
- Obtained statistics on disciplinary actions against SSA employees for misuse of travel charge cards for the period July 1, 2013 through September 30, 2014.
- Obtained statistics on disciplinary actions against SSA employees for misuse of purchase cards for the period July 1, 2013 through September 30, 2014.
- Interviewed SSA representatives from the Offices of Acquisition and Grants and Financial Policy and Operations.
- Obtained information about purchase and travel card misuse from the Office of the Inspector General, Office of Investigations.

¹ Pub. L. No. 112-194 §§ 2-4, 126 Stat. 1445-1451 (2012).

The principal internal controls reviewed pertained to activities of the Office of the Deputy Commissioner for Budget, Finance, Quality and Management. We conducted our risk assessment in Baltimore, Maryland, from September through November 2014. We conducted our assessment in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix B – THE GOVERNMENT CHARGE CARD ABUSE PREVENTION ACT OF 2012 FOR PURCHASE CARDS

The *Government Charge Card Abuse Prevention Act of 2012*¹ requires that executive agencies that issue and use purchase cards establish and maintain safeguards and internal controls as stated below.

- There is a record in each executive agency of each holder of a purchase card issued by the agency for official use, annotated with the limitations on single transactions and total transactions that are applicable to the use of each such card or check by that purchase cardholder.
- Each purchase cardholder and individual issued a convenience check is assigned an approving official other than the cardholder with the authority to approve or disapprove transactions.
- The purchase cardholder and each official with authority to authorize expenditures charged to the purchase card are responsible for reconciling the charges appearing on each statement of account for that purchase card with receipts and other supporting documentation; and forwarding a summary report to the certifying official in a timely manner of information necessary to enable the certifying official to ensure that the Federal government ultimately pays only for valid charges that are consistent with the terms of the applicable Government-wide purchase card contract entered into by the Administrator of General Services.
- Any disputed purchase card charge, and any discrepancy between a receipt and other supporting documentation and the purchase card statement of account, is resolved in the manner prescribed in the applicable Government-wide purchase card contract entered into by the Administrator of General Services.
- Payments on purchase card accounts are made promptly within prescribed deadlines to avoid interest penalties.
- Rebates and refunds based on prompt payment, sales volume, or other actions by the agency on purchase card accounts are reviewed for accuracy and properly recorded as a receipt to the agency that pays the monthly bill.
- Records of each purchase card transaction (including records on associated contracts, reports, accounts, and invoices) are retained in accordance with Government policies on the disposition of records.

¹ Pub. L. No. 112-194 §§ 2-4, 126 Stat. 1445-1451 (2012).

- Periodic reviews are performed to determine whether each purchase cardholder needs a purchase card.
- Appropriate training is provided to each purchase cardholder and official with responsibility for overseeing the use of purchase cards issued by the executive agency.
- The executive agency has specific policies regarding the number of purchase cards issued by various component organizations and categories of component organizations, the credit limits authorized for various categories of cardholders, and categories of employees eligible to be issued purchase cards, and that those policies are designed to minimize the financial risk to the Government of the issuance of the purchase cards and to ensure the integrity of purchase cardholders.
- The executive agency uses effective systems, techniques, and technologies to prevent or identify illegal, improper, or erroneous purchases.
- The executive agency invalidates the purchase card of each employee who ceases to be employed by the agency, immediately upon termination of the employment of the employee; or transfers to another unit of the agency, immediately upon the transfer of the employee unless the agency determines that the units are covered by the same purchase card authority.
- The executive agency takes steps to recover the cost of any illegal, improper, or erroneous purchase made with a purchase card or convenience check by an employee, including, as necessary, through salary offsets.

Appendix C – THE GOVERNMENT CHARGE CARD ABUSE PREVENTION ACT OF 2012 FOR TRAVEL CARDS AND CENTRALLY BILLED ACCOUNTS

The *Government Charge Card Abuse Prevention Act of 2012*¹ (Act) requires that executive agencies that have employees who use travel charge cards establish and maintain internal control activities to ensure their proper, efficient, and effective use as stated below. In addition, the Act required agencies to establish and maintain internal control activities for centrally billed accounts.

Travel Cards

- There is record in each executive agency of each holder of a travel charge card issued on behalf of the agency for official use, annotated with the limitations on amounts that are applicable to the use of each such card by that travel charge cardholder.
- Rebates and refunds based on prompt payment, sales volume, or other actions by the agency on travel charge card accounts are monitored for accuracy and properly recorded as a receipt of the agency that employs the cardholder.
- Periodic reviews are performed to determine whether each travel charge cardholder has a need for the travel charge card.
- Appropriate training is provided to each travel charge cardholder and each official with responsibility for overseeing the use of travel charge cards issued by the executive agency.
- Each executive agency has specific policies regarding travel charge cards issued for various component organizations and categories of component organizations, the credit limits authorized for various categories of cardholders, and categories of employees eligible to be issued travel charge cards, and designs those policies to minimize the financial risk to the Federal Government of the issuance of the travel charge cards and ensure the integrity of travel charge cardholders.
- Each executive agency has policies to ensure its contractual arrangement with each travel charge card issuing contractor contains a requirement that the creditworthiness of an individual be evaluated before the individual is issued a travel charge card, and that no individual be issued a travel charge card if that individual is found not creditworthy as a result of the evaluation (except that this paragraph shall not preclude issuance of a restricted use, prepaid, declining balance, controlled-spend, or stored value card when the individual lacks a credit history or has a credit score below the minimum credit score established by the Director of the Office of Management and Budget). The Director of the Office of

¹ Pub. L. No. 112-194 §§ 2-4, 126 Stat. 1445-1451 (2012).

Management and Budget shall establish a minimum credit score for determining the creditworthiness of an individual based on rigorous statistical analysis of the population of cardholders and historical behaviors. Notwithstanding any other provision of law, such evaluation shall include an assessment of an individual's consumer report from a consumer reporting agency as those terms are defined in section 603 of the *Fair Credit Reporting Act* (15 U.S.C. 1681a).

- Each executive agency uses effective systems, techniques, and technologies to prevent or identify improper purchases.
- Each executive agency ensures the travel charge card of each employee who ceases to be employed by the agency is invalidated immediately upon termination of the employment of the employee (or, in the case of a member of the uniformed services, upon separation or release from active duty or full-time National Guard duty).
- Each executive agency shall ensure that, where appropriate, travel card payments are issued directly to the travel card-issuing bank for credit to the employee's individual travel card account.

Centrally Billed Accounts

- The executive agency shall ensure that officials with the authority to approve official travel verify that centrally billed account charges are not reimbursed to an employee.
- The executive agency shall dispute unallowable and erroneous charges and track the status of the disputed transactions to ensure appropriate resolution.
- The executive agency shall submit requests to servicing airlines for refunds of fully or partially unused tickets, when entitled to such refunds, and track the status of unused tickets to ensure appropriate resolution.

Appendix D – THE SOCIAL SECURITY ADMINISTRATION’S CORRECTIVE ACTIONS ON PRIOR RECOMMENDATIONS

The Office of Management Budget (OMB) Memorandum M-13-21 states Offices of Inspector General will report to the Director of the Office of Management and Budget 120 days after the end of each fiscal year (FY) on agency progress in implementing audit recommendations, beginning with the FY 2013 submission due by January 31, 2014.¹

In March 2010, we issued a report on the Social Security Administration’s (SSA) charge card program.² The objective of the review was to determine whether SSA’s oversight of its Government Purchase Card Program was effective.

Our 2010 report stated that SSA’s oversight of its Government purchase card program needed improvement. We found that cardholders did not comply with SSA’s policies and procedures. Our testing of purchase card transactions found that 36 (72 percent) of 50 transactions reviewed (a) did not have adequate pre-approval documentation, (b) had no evidence that the goods were received and accepted, and/or (c) had no documentation provided. These transactions totaled about \$8,300. In addition, for 12 (24 percent) of 50 possible split purchases we examined, the cardholders circumvented their \$3,000 single-purchase limit. These purchases totaled about \$61,000. We provided SSA four recommendations to address our findings, and the Agency agreed with each. Below are our recommendations and actions SSA took to address each.

1. Ensure cardholders comply with SSA policy and procedures on obtaining and maintaining adequate pre-approval documentation.
2. Remind cardholders to comply with SSA policy and procedures on obtaining and maintaining adequate receipt and acceptance of goods documentation.
3. Instruct cardholders to comply with SSA policy and procedures to prevent making split purchases.
4. Analyze purchase card data routinely to identify possible split purchases and take steps to ensure cardholders follow Agency policy.

¹ OMB, Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, at p. 4 (September 6, 2013).

² SSA OIG, *The Social Security Administration’s Government Purchase Card Program* (A-13-09-29027), March 25, 2010.

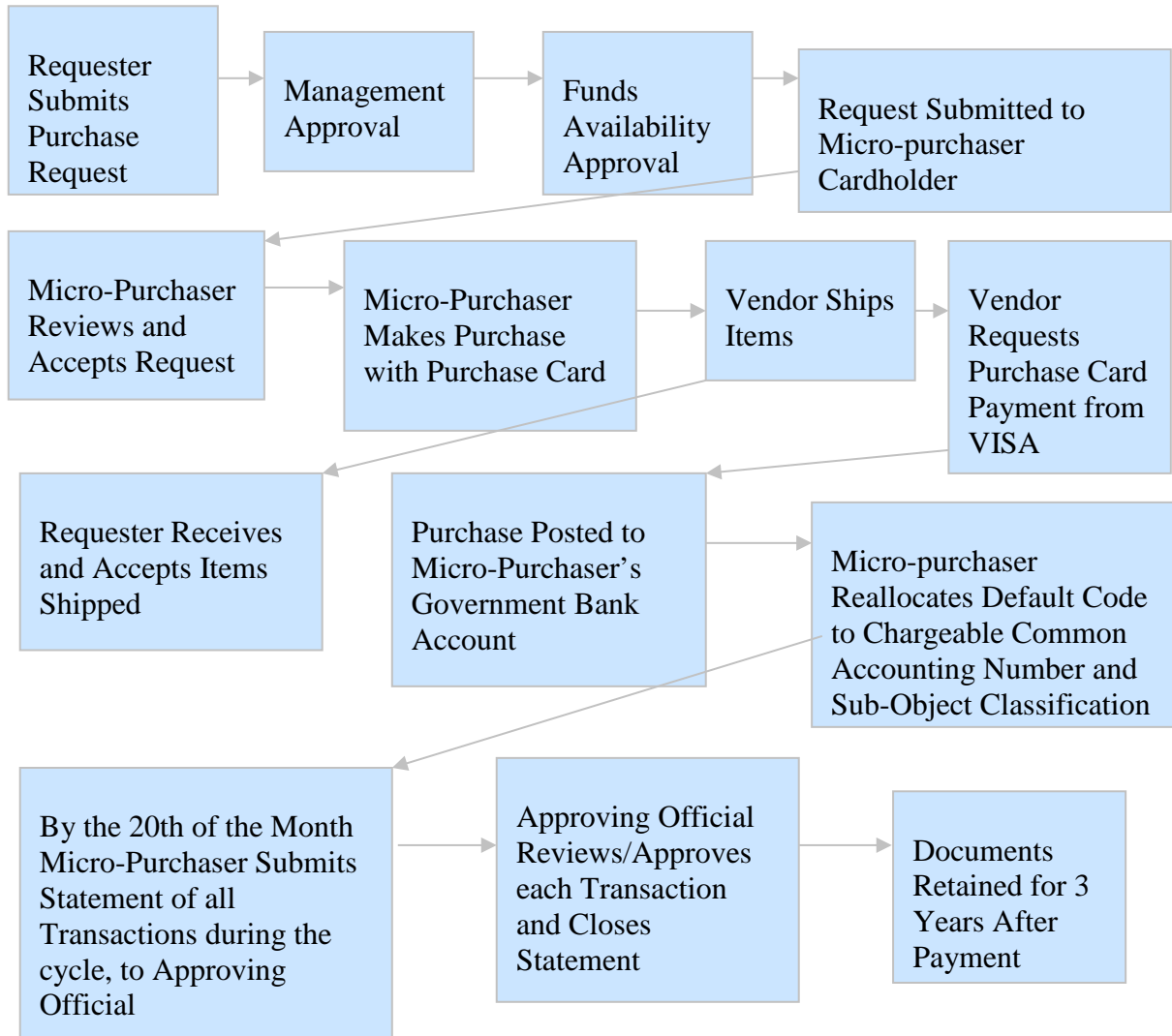
Response to Recommendations

In October 2010, SSA's Office of Acquisition and Grants (OAG) issued Acquisition Alert 10-12, Office of Inspector General Audit – Micro-Purchase Reminders. The Alert addressed the following topics: obtaining and maintaining both pre-approval documentation and evidence of the receipt and acceptance of goods and avoiding split purchases. Also, SSA implemented reviews of possible split purchases. When SSA discovers a split purchase, staff analyzes the circumstances and takes appropriate action. This action may include a warning to the micro-purchaser and approving official not to split purchases in the future or, if appropriate, suspension or revocation of the employee's micro-purchasing or approving authority. Repeated failure to follow split purchase policy and procedures may result in administrative or disciplinary action. In addition, SSA planned to test Citibank's new reporting tool to determine whether it would provide a more efficient and effective way to detect split purchases.

In FY 2010, OAG sent Acquisition Management Review inquiries regarding possible split purchases to 40 micro-purchasers covering 146 transactions. The review covered determining whether the purchases were split and whether the micro-purchasers adhered to the pre-award documentation requirements in the Micro Purchasing in SSA training course. If the documentation reviews revealed the micro-purchasers did not follow the pre-award documentation requirements, OAG disseminated decision emails to micro-purchasers and approving officials that included: identifying the missing documentation and why purchases were determined to be split purchases; citing applicable policy guidance not adhered to; requiring the micro-purchasers to review the policy guidance cited in the email prior to making future purchases; and requiring the micro-purchasers to send an email confirming they reviewed the applicable guidance. Once micro-purchasers completed their review and OAG received their confirmation email, OAG closed the Acquisition Management Review.

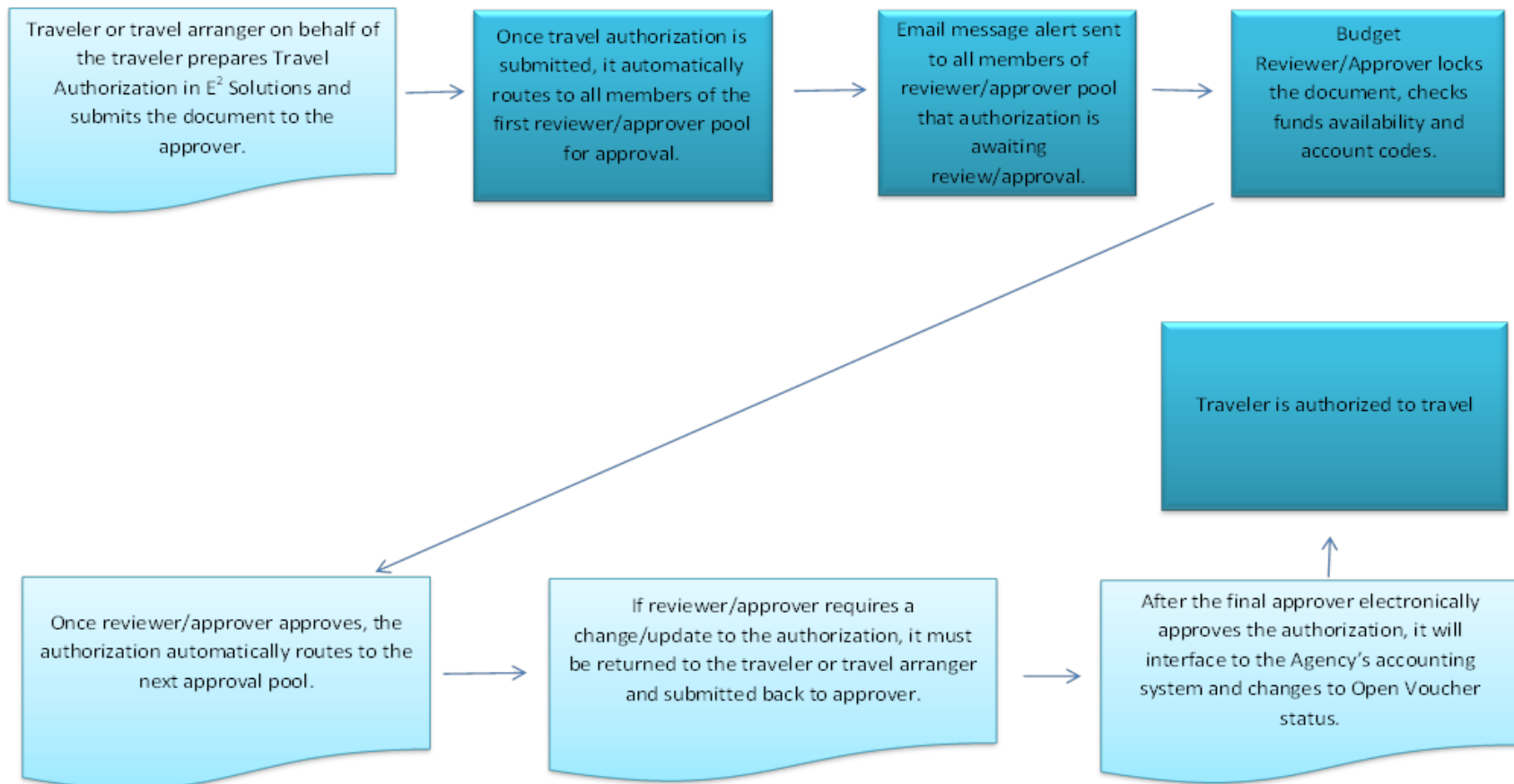
SSA considered all four recommendations closed and implemented as of December 2010. We plan to initiate a follow-up review of the purchase cards in FY 2015 and examine SSA's actions to address our prior recommendations.

Appendix E – THE SOCIAL SECURITY ADMINISTRATION’S PURCHASE CARD PROCESS

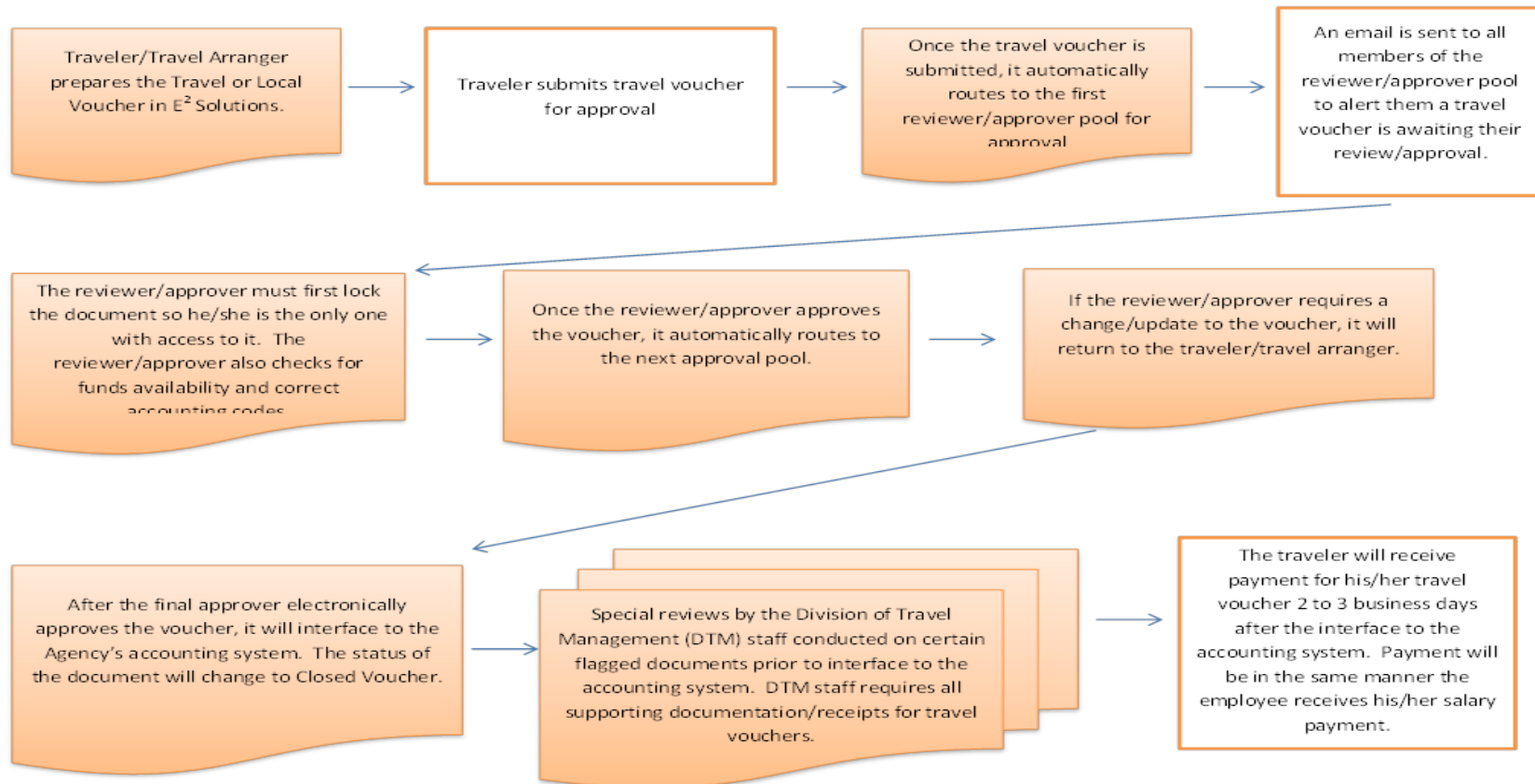


Appendix F – THE SOCIAL SECURITY ADMINISTRATION’S TRAVEL CARD PROCESS

Travel Authorization Process



TRAVEL/LOCAL VOUCHERS



Appendix G – MAJOR CONTRIBUTORS

Shirley E. Todd, Director, Evaluation Division

Randy Townsley, Audit Manger

Tracey Edwards, Senior Auditor

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