



OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: June 22, 2010

TO: Steven VanRoekel, Managing Director

FROM: David L. Hunt, Acting Inspector General Q

SUBJECT: Report on the Audit of the FCC's Purchase and Travel Card Programs
(Audit Assignment No. 09-AUD-09-28)

The Office of Inspector General is providing the report on the audit of the Federal Communications Commission's (FCC) Purchase and Travel Card Programs. The Office of Inspector General engaged Lani Eko & Company to conduct the audit. The scope of the audit was Fiscal Year 2009. The audit objectives were to:

- Evaluate the design and implementation of internal controls for the FCC's travel card and purchase card programs.
- Determine if internal controls for travel card and purchase card programs were adequate to ensure that transactions were properly authorized, adequately documented, and properly accounted for.
- Test travel card and purchase card transactions to ensure that they were properly authorized, adequately documented, properly accounted for, and for appropriate, legitimate business purposes.
- Determine if the FCC's travel card and purchase card programs are being effectively managed using guidance and best practices provided in OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs.
- Determine if travel and purchase card transactions funded by the American Recovery and Reinvestment Act of 2009 were awarded and administered in compliance with provisions of this Act.

The audit report identified six findings related to internal controls over the FCC's Purchase and Travel Card programs, including one finding for purchase and travel card transactions funded by the American Recovery and Reinvestment Act of 2009. Management generally concurred with five of the auditor's six findings, but did not concur with one finding and one recommendation.

Management agreed that human resources were insufficient to perform effective oversight of the Commission's Charge Card program. However, management did not concur with recommendation no. 3.1, that the Commission should decentralize some of the charge card operations by assigning oversight and monitoring functions currently performed by Financial Operations to the travelers respective Bureaus and Offices. The auditors did not agree with management's proposed actions. The auditor's stated that they did not believe that maintaining the current centralized review process for travel card charges would effectively resolve the reports finding and reiterated their recommendation.

Additionally, management did not concur with finding no. 4, which stated that purchase cardholders had not completed mandatory fraud training, as required by FCC policy. The auditor's responded that their finding was based on FCC policy in effect at the time of the audit. However, management's proposed corrective actions, which included revising the Commissions directive to require Anti-Fraud training, meets the intent of the report's recommendation.

Lani Eko & Company is wholly responsible for the enclosed report dated June 22, 2010.

Attachment

cc: Wanda Sims, Associate Managing Director
Mark Stephens, Chief Financial Officer
PERM



LANI EKO & COMPANY, CPAs, PLLC
110 S. Union Street, Suite 301
Alexandria, VA 22314

Phone: (703) 647-7444
Fax: (866) 665-7269
www.laniekocpas.com

MEMORANDUM

DATE: June 22, 2010

TO: David L. Hunt, Acting Inspector General – Federal Communications Commission

FROM: Lani Eko, CPA, CGFM
Partner

SUBJECT: Performance Audit of the Federal Communications Commission Purchase and Travel Card Programs

Attached is the subject final audit report that covers the results of the review of the Federal Communications Commission (FCC) Purchase and Travel Card Programs and an evaluation of the design and implementation of internal control related to the purchase and travel card programs for the period from October 1, 2008 through September 30, 2009.

We identified six findings and made 16 recommendations to the FCC's management. FCC's management did not concur with finding no. 4 and recommendation 3.2.

We considered the FCC's management responses in issuing the final audit report.

We appreciate the cooperation given us during this review. If you have any questions, please call me at (703) 647-7444.

Enclosure

**AUDIT OF THE FEDERAL
COMMUNICATIONS COMMISSION
PURCHASE AND TRAVEL CARD
PROGRAMS**

FY 2009



TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

BACKGROUND 3

RESULTS OF AUDIT..... 6

RECORD RETENTION 6

INTERNAL CONTROL – DELEGATION OF AUTHORITY..... 7

OVERSIGHT OF THE GOVERNMENT CHARGE CARD PROGRAM..... 8

COMPLIANCE WITH OMB CIRCULAR A-123, APPENDIX B – TRAINING 12

IMPROVEMENT NEEDED FOR COMPLIANCE WITH THE REQUIREMENTS OF OMB CIRCULAR A-123, APPENDIX B 13

IMPROVEMENT NEEDED IN THE OVERSIGHT OF AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS..... 15

Appendix A – OBJECTIVES, SCOPE AND METHODOLOGY 17

Appendix B – MANAGEMENT’S RESPONSE..... 20

EXECUTIVE SUMMARY

The objectives of our performance audit of the Federal Communications Commission (FCC) Purchase and Travel Card Programs were to: a) determine if internal control for the Purchase and Travel Card Programs of the FCC are adequate, b) perform tests of purchase and travel transactions to ensure that they were properly authorized, adequately documented, properly accounted for and for appropriate and legitimate business purposes, c) evaluate whether the FCC's Purchase and Travel Card Programs are being effectively managed using guidance and best practices provided in OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, and d) determine if purchase and travel card transactions funded by the *American Recovery and Reinvestment Act of 2009 (ARRA)* were awarded and administered in compliance with the provisions therein.

We conducted our audit in accordance with standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit covered the period from October 1, 2008 through September 30, 2009.

The FCC management's inability to make the travel card transactions for October and December 2008 available for examination precluded the necessary auditing procedures from being applied to travel card transactions executed during that period. Accordingly, we were unable to determine whether the travel card transactions for October and December 2008 were in compliance with the provisions of *OMB Circular A-123, Appendix B* and the *ARRA*.

Additional details on the audit objectives, scope and methodology are provided in Appendix A of this report.

During our audit, we noted the following matters relating to compliance with the provisions of *OMB Circular A-123, Appendix B*, the *American Recovery and Reinvestment Act of 2009*, and internal control over the purchase and travel card programs:

- FCC's management did not maintain adequate documentation for travel charge card transactions, in accordance with the FCC's record retention policies outlined in the FCC Travel Manual and guidance provided in the *GAO Standards for Internal Control in the Federal Government*.
- FCC officials who did not have a formal delegation of authority as the Approving Officials were authorizing purchases and travel, approving vouchers for payments, and reviewing and approving cardholder "Statement of Account"¹ reconciliations.

¹ The "Statement of Account" is the individual cardholder billing report. It is provided by the Bank Service Provider each month and lists all charge card transactions and payments for the billing period.

- Weaknesses were noted in the controls implemented by FCC to ensure that the charge card program was performing in accordance with relevant federal laws and regulations and FCC Directive – *FCCINST 1097.1*, the *FCC Guide & Instructions for Cardholders and Approving Officials*, and the FCC Travel Manual.
- Insufficient human resources for personnel designated as Agency/Organization Program Coordinators impaired oversight of the FCC “Government Charge Card Program”.
- FCC's management did not provide evidence that all purchase cardholders and Approving Officials had completed the mandatory fraud-training segment of the COTR training offered by the FCC Contracts and Purchasing Center (CPC). Also, for one out of the 15 charge cardholders in our sample, FCC management was unable to provide evidence that the cardholder had completed the web-based GSA Purchase Card training prior to being issued a purchase card.
- FCC's Travel and Operations Group (TOG) did not develop and maintain a “Charge Card Management Plan” and charge card statistical data and performance metrics consistent with the requirements of *OMB Circular A-123, Appendix B*.
- Improvement is needed in the oversight of purchase and travel card transactions funded by the *American Recovery and Reinvestment Act of 2009*.

The FCC's *Management's Response* is provided in Appendix B. Management concurred with our findings and recommendations except for finding no. 4 and recommendation no. 3.2. We considered the management responses in issuing the final audit report. Additional details are provided in the results of audit.

BACKGROUND

The Federal Communications Commission is an independent United States government agency directly responsible to Congress. The FCC was established by the Communications Act of 1934 and is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. It is directed by five Commissioners appointed by the President of the United States and confirmed by the Senate. The Commissioners supervise all FCC activities, delegating responsibilities to Bureaus, Offices, and staff units.

The Office of Managing Director, (OMD) is responsible for the agency's financial policy and financial management, including the management of its integrated²- charge card program, which is administered by the Travel and Operations Group (TOG). For fiscal year 2009, the TOG had a staff of 3 full-time employees designated as the Agency/Organization Program Coordinators (A/OPC's). The A/OPC's are responsible for opening and closing travel card accounts, maintaining and updating employee account information, monitoring employee accounts for misuse and delinquency, preparing misuse and delinquency notification letters, acting as the primary liaison between the cardholders and the issuing bank, and answering cardholders questions on the proper use of the integrated card. The A/OPC's also ensure that all cardholders at the FCC complete the GSA web-based travel card training.

Under GSA's SmartPay Program, the FCC contracted with *Bank of America* (BoA) and *JPMorgan Chase* for its Integrated Charge Card Program for fiscal year 2009. Approximately 200 FCC employees participate in this Government Charge Card Program. The bank vendor is responsible for issuing individual charge cards to agency employees and enters into a credit card agreement directly with the employee. Under the FCC agreement, the employee is responsible for seeking reimbursement for official Government travel costs from the agency and paying the credit card bill directly to the bank. Federal standards of conduct require federal employees to pay their debts in a timely manner and the *Federal Travel Regulation* (FTR) specifically prohibits the use of an individual's travel card for any purpose other than official travel. Once the employee uses the travel card, the employee must pay his/her own balance, in full and on time, presumably from monies the agency has paid to the individual as a result of his/her request for reimbursement.

However, because the employee is the responsible party on the individual account, the FCC is under no obligation to pay the bill. The employee is obligated to pay the travel card bill, even if they have not yet received reimbursement from the agency. The FCC APC's are responsible for

² Effective November 30, 2008, the FCC transitioned from a separate charge card program with Bank of America to a single integrated charge card program with JPMorgan Chase, e.g., one card for all three programs (travel, purchase, and fleet).

monitoring the travel card accounts to verify these accounts are paid in a timely manner.³ While responsibility for payment rests with the employee, the FCC also has a responsibility to ensure that accounts are paid monthly and in full. GSA's master contract describes the agencies' travel card program responsibilities. These responsibilities include ensuring that cardholders use the card only for authorized purposes by monitoring account activity, managing delinquencies and misuse by notifying the employee and management of delinquent accounts, taking appropriate disciplinary action, and, as a last resort, collecting the overdue amount from the employee through salary offsets. Monitoring and managing delinquencies also helps the FCC to avoid potential negative publicity that comes with unpaid accounts.⁴

The *American Recovery and Reinvestment Act of 2009* provided funds to the FCC to assist the American people in their transition to digital TV. The ARRA specifies two programs under which the FCC has responsibilities, the Digital-To-Analog (DTV) Converter Box Program (education and outreach) and the Broadband Technology Opportunities Program. For the DTV Converter Box Program, the ARRA states that the National Telecommunications and Information Administration of the Department of Commerce may transfer up to \$90 million in funding to the FCC for consumer education and outreach.

The *Travel and Transportation Reform Act of 1998 (TTRA)*, Public Law 105-264, requires Federal employees to use travel charge cards for all payments of expenses related to official Government travel, including hotels, transportation costs, and meals. By consolidating travel expenditures with a single credit card vendor and by streamlining the process for advancing travel funds to Federal employees, agencies reduce administrative costs associated with processing federal travel.

The General Services Administration issues the *Federal Travel Regulation (FTR)* that implements the requirements of the TTRA, and administers government travel cards through its SmartPay program. Each government agency selects one of the five banks contracted by GSA as their travel card provider and negotiates its own task order under the SmartPay master contract. The task order identifies the specific charge card services the selected bank will provide to the agency and documents the agreed upon fees, including any additional negotiated rebate percentages.

Through December 2008, the FCC utilized its contract services with *Bank of America* for its travel and purchase card programs. However, in December 2008, *JPMorgan Chase* replaced

³ Each agency also has the option of having a centrally billed travel card account. Unlike with individual travel charge cards, under this option, the agency itself is responsible for payment of the centrally billed account, rather than the employee.

⁴ The Federal Travel Regulation requires employees to submit requests for reimbursement within five days of completing their travel. It also requires agencies to reimburse an employee within 30 days of the employee submitting a proper claim for reimbursement to the approving official. If agencies do not reimburse the employee within the 30-day timeframe, the agency must pay interest to the employee for the late payment.

Bank of America as the FCC's Bank Service Provider and the FCC began the transition to an integrated travel and purchase card program.

RESULTS OF AUDIT

We found that the FCC's Travel and Operations Group had not implemented adequate levels of internal control to ensure that purchase and travel card transactions were properly authorized, adequately documented and properly accounted for. We also noted deficiencies in the implementation of the guidance and best practices provided in the OMB Circular A-123, Appendix B, *Improving the Management of the Government Charge Card Programs*.

RECORD RETENTION

FINDING NO. 1

FCC's management did not provide the individual cardholder "Statement of Account" or the monthly charge card transaction activity file for the months of October 2008 and December 2008 for examination by the auditors. Additionally, the TOG did not maintain adequate documentation for charge card transactions in accordance with the FCC's record retention policies outlined in the FCC Travel Manual and guidance provided in the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*.

GAO *Standards for Internal Control in the Federal Government* states that all transactions and other significant events need to be clearly documented and that the documentation should be readily available for examination. In accordance with the FCC's Travel Manual, "All original travel documents must be centrally filed (i.e., not in personal files) in the TOG for a period of three years. All Field Offices are responsible for returning original travel documents at the originating location for the same time period."

Without appropriate and sufficient records of charge card transactions, the FCC is susceptible to the risk that misuse, fraud and abuse of the charge cards may occur and not be detected. Inadequate or the lack of records may also impair the ability of FCC management to audit charge card transactions or research transactions as part of FCC management's oversight of the charge card program.

RECOMMENDATIONS

We recommend that FCC's management:

- 1.1 Implement and enforce additional record retention policies and procedures for the charge card program that are consistent with the FCC Travel Manual and guidance provided in GAO's *Standards for Internal Control in the Federal Government*. These additional procedures should include a policy for retention of original

documentation received from the charge cardholder and any periodic transaction reports generated by the TOG.

- 1.2 Request and maintain the electronic copies of the October 2008 and December 2008 charge card transaction records from the Bank Service Provider. TOG should conduct a random review of charge card transactions for October and December 2008 to determine if the charge card transactions were properly authorized, adequately documented and properly accounted for.

MANAGEMENT RESPONSE

Management concurred with the report's finding and recommendations.

INTERNAL CONTROL – DELEGATION OF AUTHORITY

FINDING NO. 2

We found that FCC officials who did not have formal delegation of authority as Approving Officials were authorizing purchases and travel requests, approving vouchers for payments, and reviewing and approving cardholders' "Statement of Account" reconciliations.

Of the 92 purchase and travel card transactions tested, we noted that FCC Officials who had not been designated as Approving Officials approved:

- 25 travel authorizations,
- 19 travel vouchers for reimbursement,
- two monthly "Statement of Account" reconciliations, and
- four cardholder's Form A-518, *Request for Actual Subsistence*.

FCC's management was not properly monitoring and ensuring that the approval authority was appropriate for the charge card transactions review and approval process, and that the approving officials were cognizant of their fiduciary responsibilities. In addition, FCC's management was not properly monitoring the Approving Officials' performance and periodically reviewing their work (such as approval of travel authorizations, travel vouchers and reconciliations of statement of accounts) to verify continued performance of their responsibilities under the charge card program.

In accordance with GAO *Standards for Internal Control in the Federal Government*, transactions and other significant events should be authorized and executed only by officials acting within the scope of their authority. This is the principal means of assuring that government personnel

initiate or enter into only valid transactions to exchange, transfer, use, or commit resources. Authorizations of managers and employees responsibilities and functions under the charge card program should be clearly communicated by the FCC Bureau and Office Chiefs. Also, the FCC manual titled, *Attention FCC Travelers*, states that all travel documents (i.e., authorizations, vouchers, and other required forms) must be specifically approved by a designated Approving Official.

Because the responsibilities of all Approving Officials are not supported by formal delegation of authority, the FCC is susceptible to the risk that the Approving Officials may not be aware of the extent or limits of their responsibilities, and may not be held accountable for unauthorized decisions or improper or abusive purchases.

RECOMMENDATIONS

We recommend that FCC's management:

- 2.1 Conduct periodic reviews to determine if additional FCC officials should be designated as Approving Officials to improve the charge card transaction review and approval process.
- 2.2 Implement procedures for monitoring the Approving Officials' performance to ensure that they are carrying out their responsibilities within their assigned formal authority under the charge card program.

MANAGEMENT RESPONSE

Management concurred with the report's finding and recommendations.

OVERSIGHT OF THE GOVERNMENT CHARGE CARD PROGRAM

FINDING NO. 3

FCC's management did not provide adequate oversight and consistent enforcement of the Government Charge Card Program requirements. We noted the following weaknesses in the oversight and enforcement of the Government Charge Card Program requirements:

- FCC's Administrative Operations Division and TOG did not perform monthly random reviews of purchase and travel card charges, respectively, as prescribed in the FCC's policies and procedures to help ensure that purchases and travel charges were properly authorized and for official government purposes.
- Insufficient human resources for personnel designated as Agency/Organization Program Coordinators (A/OPC) exist for executing charge card program monitoring activities as

prescribed by the Administrator of General Services, the Treasury Financial Manual, and FCC directives, policies and procedures. For example, during our review, the FCC had three personnel classified as A/OPC and the most senior A/OPC had other significant responsibilities within the FCC. The three A/OPCs were responsible for monitoring charge card transactions for over 200 FCC charge cardholders.

- Agency/Organization Program Coordinators, Approving Officials, and cardholders were not following FCC's operating guidance for the charge card program. We noted instances where a transaction was executed above the cardholder's and Approving Official's single purchase limit, credit card charges were not adequately supported by receipts, and Automated Teller Machine (ATM) withdrawals were not properly authorized.

Specifically, of the 92 purchase and travel card transactions we examined, we noted the following deficiencies:

| Finding | Deficiency | No. of Occurrences |
|---------|---|--------------------|
| i. | Travel vouchers were not submitted to the Financial Operations Division (FOD) within 5 days of completing the travel. | 30 |
| ii. | Individual cardholders' monthly "Statement of Account" reconciliations were not submitted to the FOD within 7 days of receipt. | 4 |
| iii. | Form A-527, <i>Record of Competition in Purchase Card Acquisitions</i> , was not properly executed. | 2 |
| iv. | ATM withdrawals were not properly authorized. | 2 |
| v. | Charges shown on a cardholders' monthly "Statement of Account" occurred outside the authorized travel period (Trip Id No. 686630 had a credit card receipt with the dates of 10/08/09 - 10/11/09; authorized period of travel was 9/20/09 - 9/24/09). | 1 |
| vi. | Travel card charges for subsistence were not supported by properly executed Form A-518, <i>Request for Actual Subsistence</i> . | 1 |
| vii. | Applicable questions/steps on Form A-526, <i>Purchase Card Checklist</i> were not addressed. Specifically the following was not addressed: Item 2 – "Split Order Purchase"; and Items 8 through 10 – "Phone Order", "Store Purchase" and "Notice of Credit Card Purchase". ⁵ | 2 |

⁵ Cardholders are responsible for recording on the "Purchase Card Checklist" the details of each transaction along with the mandatory signatures by both the purchase cardholder and the Approving Official. The Cardholder shall

| | | |
|-------|---|---|
| viii. | Per diem for the last day of travel exceeded the allowable amount. Allowable per diem per the Federal Travel Regulation was \$36.75. The amount charged, approved and reimbursed to traveler was \$44.25. | 1 |
| ix. | The Purchase Cardholder did not submit FCC Form A-521, <i>Notice of Credit Card Purchase</i> , to the Warehouse for Asset Management purposes. | 1 |
| x. | The purchase cardholder and Approving Official executed a purchase card transaction for \$3,500. This transaction exceeded their single purchase limit of \$3,200. | 1 |

GAO *Standards for Internal Control in the Federal Government* require that internal control be designed to assure that ongoing monitoring occurs in the course of normal operations. Internal control is performed continually and is ingrained in the agency’s operations. It includes regular management and supervisory activities, comparison, reconciliations, and other actions people take in performing their duties. Control activities are an integral part of an entity’s planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.

FCC Directive - FCCINST 1097.1, *Use of Federal Government Purchase Card for Small Purchases* states, “All cardholders will be subject to indiscriminately selected monthly reviews, to include all cardholders within a three-year period. Also, the cardholder and approving official shall reconcile each “Statement of Account” received from the Purchase Card Contractor. Each cardholder must maintain accurate and complete records to support all expenses, to include receipts, vouchers, etc. in order to provide a complete audit trail upon review. In addition, the Cardholder is responsible for recording on the Checklist the details of each transaction along with the Mandatory signatures by both the purchase cardholder and the Approving Official. The Cardholder shall retain the Checklist and all records of the transaction in his/her files for the time period specified in FAR, paragraph 4.805(b) (10) with a minimum period of 1-year retention”.

In addition, FCC Directive - *FCCINST 1097.1* requires that the Cardholder and the Approving Official reconcile each “Statement of Account” received from the Purchase Card Contractor and forward it to the Accounts Processing Branch of the FOD within 7 working days of its receipt. In addition, in accordance with *Federal Travel Regulation*, Chapter 301-52.7, a traveler must submit a travel claim within 5 working days after completion of trip or period of travel.

Per FCC *Guide & Instructions for Cardholders and Approving Officials* dated September 2004, good recordkeeping is essential for efficient procurement and asset management, and to protect the reputation of the agency and its workers, completion of the Form A-526 is required for each transaction.

retain the Checklist and all records of the transaction in his/her files for the time period specified in FAR, paragraph 4.805(b) (10) with a minimum period of 1-year retention.

The lack of adequate controls over the FCC Government Charge Card operations could result in non-compliance with applicable laws and regulations, included in *FAR Part 13.301, Treasury Financial Manual 4-4500*, and the *Federal Travel Regulation* and increase the risk of misuse, fraud, waste and abuse in the purchase and travel card program. Also, because Form A-526, *Purchase Card Checklist* was not completed properly and not readily available for examination, FCC management may not be able to determine whether purchase cardholders were in compliance with the FAR and FCC procurement policies and procedures.

The FCC may be unable to process and pay charge card invoices within the 30-day timeframe mandated by the Prompt Payment Act and the *Federal Travel Regulation* because the travel vouchers and cardholder's reconciled "Statement of Accounts" were not submitted timely to the FOD.

RECOMMENDATIONS

We recommend that:

- 3.1 FCC's Bureau and Office Chiefs and the Associate Managing Director for Administrative Operations monitor and ensure adherence to FCC directives, policies, and procedures relating to the management of the charge card program and the provisions of OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*.
- 3.2 FCC's Managing Director decentralize some of the charge card program operations by assigning certain oversight and monitoring functions currently performed by TOG to FCC's Bureau and Offices. For example, designated Bureau or Office personnel should be responsible for performing the monthly random review of purchase and travel charges for charge cardholders within their Bureau or Office and for ensuring that charge cardholders and approving officials have completed the required charge card program training. FCC's Administrative Operations and TOG should conduct a periodic examination of a sample of the random reviews of purchase and travel charges performed by the designated Bureau or Office personnel to ensure that the reviews are adequate to detect improper charge card transactions.
- 3.3 FCC's management continue to monitor and ensure compliance for timely submission of travel vouchers and the cardholders' reconciled monthly "Statement of Account" to the FOD as outlined in FCC Directive - FCCINST 1097.1, *Use of Federal Government Purchase Card for Small Purchases and Federal Travel Regulation*, Chapter 301-52.7.
- 3.4 FCC's TOG continue to perform periodic reviews of open travel authorizations on file and notify the travelers and Approving Officials of outstanding travel vouchers.

MANAGEMENT RESPONSE

FCC's management did not agree with recommendation no. 3.2 that designated Bureau or Office personnel should be responsible for performing the monthly random review of purchase and travel charges for charge cardholders within their Bureau or Office. FCC management stated that the Bureaus and Offices are the entities being monitored and, therefore, would not be an independent sources to review questionable transactions.

AUDITOR'S RESPONSE

FCC's Administrative Operations Division and TOG did not have sufficient human resources to adequately monitor the purchase and travel card programs for improper and abusive charge card practices. Also, the Bureau and Office personnel are more familiar with the purchase and travel activities within their Bureau and Office.

COMPLIANCE WITH OMB CIRCULAR A-123, APPENDIX B – TRAINING

FINDING NO. 4

FCC's management could not provide written evidence that purchase cardholders and Approving Officials had completed the mandatory fraud-training segment of the COTR training offered by the FCC Contracts and Purchasing Center (CPC). In addition, for one out of the 15 charge cardholders randomly tested, FCC management was unable to provide written documentation to support that the charge cardholder had completed the web-based GSA Purchase Card training prior to being issued a purchase card.

OMB Circular A-123, Appendix B, states that all program participants including cardholders and charge card managers ((A/OPC), Approving Officials, and other accountable/billing officials) must be trained in charge card management.

FCC Directive - FCCINST 1097.1, *Use of Federal Government Purchase Card for Small Purchases*, requires that all nominees for purchase card authority, as well as Approving Officials, must complete the GSA Purchase Card web-based training prior to being issued a purchase card or granted certification as an Approving Official. In addition, all cardholders must take the fraud-training segment of the COTR training offered by the CPC. *FCCINST 1097.1* also requires that a Certificate of Completion of the training be submitted to the A/OPC prior to issuance of the purchase card. Per the *FCC Travelers Credit Card Program*, the Chief Financial Officer, Financial Operations, is responsible for monitoring training requirements for travel charge cardholders. The Program Coordinator is responsible for:

- Ensuring that new travel charge cardholders complete the GSA on-line training within 30 days of submission of their application to the TOG,

- Maintaining a tracking system to monitor training requirements for charge cardholders, and
- Forwarding copies of charge cardholders' training certificates to Human Resources.

Because FCC's management is not effectively monitoring the charge card program to ensure compliance with the training requirements mandated by OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*; and FCC Directive - FCCINST 1097.1, *Use of Federal Government Purchase Card for Small Purchases*, the FCC charge card program may be susceptible to the risk of improper, abusive and fraudulent purchase and travel charges

RECOMMENDATION

- 4.1 We recommend that FCC's management monitor and ensure compliance with the charge card management and fraud training requirements mandated in *OMB Circular A-123, Appendix B*, FCC Directive - *FCCINST 1097.1* and the *FCC Travelers Credit Card Program*.

MANAGEMENT RESPONSE

FCC's management did not agree with the finding that the purchase cardholders had not completed the mandatory fraud training segment of the COTR training.

AUDITOR'S RESPONSE

The auditor's finding is consistent with the FCC's directive that was in effect during the audit period – October 1, 2008 through September 30, 2009. In its response, FCC's management did not question the validity of its directive cited in the report.

IMPROVEMENT NEEDED FOR COMPLIANCE WITH THE REQUIREMENTS OF OMB CIRCULAR A-123, APPENDIX B

FINDING NO. 5

During our test of the FCC's compliance with the provisions of *OMB Circular A-123, Appendix B*, we noted the following:

- FCC's management did not develop and maintain a "Charge Card Management Plan". The Charge Card Management Plan includes federal agency policies and procedures for complying with the requirements of federal laws for the operations of the government charge card program, as outlined in *OMB Circular A-123, Appendix B, Chapter 2*.

- The “Charge Card Management Plan” was not submitted to OMB, Office of Federal Financial Management by January 31, 2009, and
- FCC’s TOG did not maintain and report data and performance metrics consistent with the requirements of *OMB Circular A-123, Appendix B, Chapter 5*.

OMB Circular A-123, Appendix B requires that each agency develop and maintain a Charge Card Management Plan that includes written policies and procedures for the appropriate use of charge cards, consistent with the requirements of this guidance. It also requires that agencies update the plan annually or more frequently, if necessary, to remain current, and submit a copy of their plan to OMB, Office of Federal Financial Management, on an annual basis, not later than January 31 of each calendar year.

Because FCC’s management had not implemented the necessary policies, procedures, techniques and mechanisms to ensure compliance with *OMB Circular A-123, Appendix B*, the efficiency and integrity of the charge card program may be impaired and there is increased risk of fraud, misuse and delinquency by charge cardholders.

RECOMMENDATIONS

We recommend that FCC management develop and maintain a “Charge Card Management Plan” that is consistent with the requirements of *OMB Circular A-123, Appendix B, Chapter 2*.

Specifically, we recommend that FCC management:

- 5.1 Implement controls, policies and procedures to ensure efficiency and integrity of the charge card program by mitigating the risks of fraud, misuse, and delinquency.
- 5.2 Ensure that the Travel and Operations Group utilize charge card statistics and delinquency data to monitor policy compliance and inform FCC management decision-makers on actions required to achieve a more cost effective charge card program.
- 5.3 Develop and implement additional training that promotes managers and charge cardholders’ understanding of their roles and responsibilities under the charge card program.

MANAGEMENT RESPONSE

Management concurred with the report’s finding and recommendations.

IMPROVEMENT NEEDED IN THE OVERSIGHT OF AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS

FINDING NO. 6

We noted that improvement is needed in the oversight of the purchase and travel card transactions funded by the *American Recovery and Reinvestment Act of 2009*. During our examination of 43 purchase and travel transactions funded by the ARRA, we noted the following:

- FCC Officials who had not been formally designated as Approving Officials, approved the following travel documents:
 - i. 21 travel authorizations.
 - ii. 17 travel vouchers for reimbursement.
 - iii. Form A-519, *Request for Use of Private Vehicle* in one instance.
 - iv. Form A-518, *Request for Actual Subsistence* in two instances.
- 27 travel vouchers were not submitted to the FOD within 5 days of completing travel.
- One instance where the charges on the monthly “Statement of Account” were not supported by actual receipts (Trip Id No. 558374 in the amount of \$561.20 for airfare).
- Three instances where the charges for the use of a private vehicle were not supported by a properly executed Form A-519, *Request for Use of Private Vehicle*.

The FCC Bureau and Office Chiefs were not properly monitoring and ensuring that the approval authority was appropriate for the charge card transactions review and approval process and that the approving officials were cognizant of their fiduciary responsibilities. In addition, the FCC Bureau and Office Chiefs were not properly monitoring the Approving Officials’ performance and periodically reviewing their work (such as approval of travel authorizations, travel vouchers and reconciliations of statement of accounts) to verify sustained performance of their responsibilities under the charge card program. Also, the Agency/Organization Program Coordinators (A/OPC), Approving Officials, and cardholders were not following the FCC’s operating guidance for the charge card program, and the human resources for personnel designated as A/OPC were not adequate for effective monitoring of the charge card program.

OMB Circular A-123, *Management’s Responsibility for Internal Control*, states that within the organizational structure, management must clearly define and appropriately delegate authority and responsibility throughout the agency. Also, GAO *Standards for Internal Control in the Federal Government* requires that transactions and other significant events be authorized and executed only by persons acting within the scope of their authority.

The *Federal Travel Regulation* requires that travelers submit a travel claim within 5 working days after completion of his/her trip or period of travel.

Without a formal delegation of authority, the FCC Approving Officials may not be aware of the extent or limits of their responsibilities, and may not be held accountable for unauthorized decisions or improper or abusive purchases. Also, the lack of adequate controls over purchase and travel transactions funded by the ARRA increased the risk of noncompliance with provisions contained therein.

RECOMMENDATIONS

We recommend that:

- 6.1 FCC's management conduct periodic reviews to determine if additional FCC officials should be designated as Approving Officials to improve the charge card transaction review and approval process, as discussed in Recommendation 2.1.
- 6.2 FCC's management implement procedures for monitoring the Approving Officials' performance to ensure that they are performing their responsibilities within their assigned formal authority under the charge card program, as discussed in Recommendation 2.2.
- 6.3 FCC's management continue to monitor and ensure compliance for timely submission of travel vouchers to the FOD, as discussed in Recommendation 3.3.
- 6.4 FCC's Administrative Operations and TOG continue to perform periodic reviews of open travel authorizations on file and notify the travelers and approving officers of any outstanding travel vouchers, as discussed in Recommendation 3.4.

MANAGEMENT RESPONSE

Management concurred with the report's finding and recommendations.

Appendix A – OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our audit of the Federal Communications Commission Purchase and Travel Card Programs were to:

- Evaluate the design and implementation of internal control for the FCC’s purchase and travel card programs.
- Determine if internal control for purchase and travel card programs were adequate to ensure that transactions were properly authorized, adequately documented, and properly accounted for.
- Test purchase and travel card transactions to ensure that they were properly authorized, adequately documented, properly accounted for, and for appropriate, legitimate business purposes.
- Determine if the FCC purchase and travel card programs are being effectively managed using guidance and best practices provided in OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*.
- Determine if purchase and travel card transactions funded by the *American Recovery and Reinvestment Act of 2009* were awarded and administered in compliance with provisions therein.

The audit period is October 1, 2008 to September 30, 2009. Our audit was performed in accordance with *Government Auditing Standards, January 2007 Revision* and the Office of Management and Budget’s (OMB) Circular A-123, *Management’s Responsibility for Internal Control*. We did not perform an internal control review over FCC’s entire organizational structure. Specifically, we examined those controls that exclusively pertained to monitoring of the Purchase and Travel Card Programs, in which we identified weaknesses detailed in the results of audit.

We gained an initial understanding of the charge card programs at FCC by reviewing GAO reports, Independent Public Accountant reports, and FCC OIG reports and other FCC policies and procedural manuals we deemed relevant.

In accomplishing the audit objectives, we performed, but were not limited to, the following procedures:

1. Reviewed and became knowledgeable of applicable laws and regulations, and FCC and GSA policies and procedures relevant to the government charge card program.
2. Interviewed officials of the FCC's Travel and Operations Group and Financial Operations Division.
3. Obtained an understanding of the design and implementation of internal control for the FCC's purchase and travel card programs.
4. Determined if the FCC had developed an effective management plan that includes written policies and procedures for the appropriate use of charge cards, consistent with the requirements of Office of Management and Budget (OMB) Circular A-123, Appendix B.
5. Examined purchase and travel card transactions to determine compliance with *OMB Circular A-123, Appendix B*.

The population for test of transactions consisted of the following:

- *Bank of America* Agency Master Statements for the purchase card program for the period of October, November, and December 2008.
- *Bank of America* Individually Billed Accounts (IBA's) Statement for the travel card program for the period of November 2008.⁶
- *JPMorgan Chase* detail transaction activity files for the period of December 2008 through October 2009.
- Federal Financial Management System (FFS) travel and purchase card voucher payments posted to the general ledger for fiscal year 2009.

We utilized the above population to select fifteen (15) *Bank of America* transactions, which represented approximately 25 percent or 3 out of 12 months of activity for FY 2009 and forty-three (43) *JPMorgan Chase* transactions, which represented approximately 75 percent or 9 out of 12 months of activity for FY 2009. Also, we selected fifty-eight (58) payments related to the *ARRA*.

We interviewed the FCC's National Agency Program Coordinator who also has dual responsibilities as the Acting Chief, Travel and Operations Group (TOG) and Chief of Revenue

⁶ The FCC did not maintain adequate documentation for the travel card transactions, and as a result, the travel card transaction reports for October 2008 and December 2008 were not available for examination.

and Receivables. These interviews helped us gain an understanding of how the charge card program is being administered at the FCC. In addition, we made inquires of FCC Management, Bureau/Office Chiefs, Approving Officials and the Office of General Counsel. Inquires were also made of personnel in various departments operating under the Office of the Managing Director including TOG, Financial Systems Operations Group, Financial Operations, Human Resource Management, Labor Relations and Performance Management Center, Learning and Development Center, and Administrative Operations.

Appendix B – MANAGEMENT’S RESPONSE



OFFICE OF MANAGING DIRECTOR

Memorandum

Date: June 7, 2010

To: David L. Hunt, Acting Inspector General

From: Steven VanRoekel, Managing Director and Mark Stephens, Chief Financial Officer

Subject: Management’s Response to the Independent Auditors’ Report on the Performance Audit of the Purchase and Travel Card Programs for Fiscal Year 2009

Thank you for the opportunity to review and comment on the draft report entitled Performance Audit of the Federal Communications Commission (Commission) Purchase and Travel Card Programs. We appreciate the efforts of your team and the independent auditor, Lani Eko & Company, to work with the Commission throughout the audit process. The results of this audit were due to the commitment and professionalism that both of our offices and the independent auditors demonstrated during the audit process. During the entire audit process the Commission worked closely with your office and the independent auditor’s team to provide necessary and timely information to facilitate an efficient audit process.

We appreciate the feedback that we have received from this draft audit report and look forward to implementing additional improvements to the Commission’s purchase and travel card program. We are pleased that the independent auditors did not find any material weaknesses in the design and implementation of the Commission’s internal controls over management of the purchase and travel card programs. Over the years, we have worked very hard to strengthen the Commission’s internal controls over the purchase and travel card programs and to put into place an efficient and effective purchase and travel card program.

The Lani Eko & Company audit report listed seven audit findings.

1) The audit report found that “Commission management did not maintain adequate documentation for travel charge card transactions, in accordance with Commission record retention policies.” The Commission will implement and enforce additional record retention policies and procedures, including a requirement to retain both electronic and hard copy reports for three years. On an ongoing basis, the Commission will conduct random reviews of charge card transactions to determine whether such transactions were properly authorized, adequately documented and properly accounted for.

2) The report identified that “Commission officials who did not have a formal delegation of authority as the Approving Officials were authorizing purchases and travel, approving vouchers for payments, and reviewing and approving cardholder “Statement of Account” reconciliations.” Management will perform periodic reviews to determine if additional Commission officials should be designated as Approving Officials to improve the process. The Commission will also implement procedures for monitoring the Approving Officials’ performance to ensure that they are carrying out their responsibilities within their assigned authority.

3) “Weaknesses were noted in the controls implemented by the FCC to ensure that the charge card program was performing in accordance with relevant federal laws and regulations and Commission directives.” The Commission will monitor and ensure relevant federal laws and regulations and Commission directives and procedures relating to the management of the charge card program are followed.

4) The report found that the Commission had “insufficient human resources for personnel designated as Agency/Organization Program Coordinators that impaired the oversight of the Commission Charge Card Program.” The report recommends that the Commission decentralize some of the charge card operations by assigning oversight and monitoring functions currently performed by the Commission’s Managing Director, and delegated to the Financial Operations group, to Bureaus and Offices. We concur that more human resources are needed to oversee the Commission Charge Card Program. We will evaluate whether additional resources are needed within the Financial Operations group to improve the oversight of the Charge Card Program. These additional resources, if needed, will monitor to ensure compliance for timely submission of travel vouchers and the cardholders’ reconciled monthly “Statement of Account,” will perform periodic reviews of open travel authorizations, and will notify travelers of outstanding travel authorizations. We do not concur that the Commission should decentralize some of the charge card operations by assigning oversight and monitoring functions currently performed by Financial Operations to the Bureaus and Offices. The responsibility for monitoring and ensuring adherence to FCC directives, policies and procedures relating to the management of the charge card program and the provisions of OMB Circular A-123, Appendix B rests with the Agency Program Coordinator(s). The Bureaus and Offices are the entities being monitored and therefore would not be an independent source to review questionable transactions. In addition, the random review of the purchase card transactions is performed by the Associate Managing Director for Administrative Operations. This shared responsibility strengthens the oversight of the purchase card program.

5) The “Commission did not provide evidence that all purchase cardholders and Approving Officials had completed the mandatory fraud-training segment of the COTR training offered by the Commission Contracts and Purchasing Center. Also, for one out of the 15 charge cardholders in the auditors sample, Commission management was unable to provide evidence that the cardholder had completed the web-based GSA Purchase Card training prior to being issued a purchase card.” We concur that one cardholder had not completed the web based GSA training prior to being issued a card. We will review existing policies and procedures to ensure that all prospective purchase cardholders receive GSA training prior to being issued a purchase card.

We do not concur with this finding that purchase cardholders had not completed mandatory fraud training. As discussed with the auditors, all purchase cardholders are required to complete the Commission's online Anti-Fraud training in accordance with a Commission directive on "Anti-Fraud," not the fraud segment of COTR training. The Commission will modify the language in the "Purchase Card" directive cited by the auditors, and will update the directive to require the FCC anti-fraud training every 3 years.

6) "The Commission's Travel and Operations Group did not develop and maintain a "Charge Card Management Plan" and charge card statistical data and performance metrics consistent with the requirement of OMB Circular A-123, Appendix B." The Commission has added additional staff to monitor activity and perform random audits for the purchase and travel card programs to mitigate the risk of fraud, waste and abuse. In addition, the Commission policies and procedures governing the travel and purchase card programs will be reviewed and if necessary modified to reflect roles and the responsibilities of all persons involved in the use, approval or monitoring of the transactions or the programs.

7) Finally, the report identified that "improvement is needed in the oversight of purchase and travel card transactions funded by the American Recovery and Reinvestment Act of 2009 (ARRA)." The auditors did not find any violations of the ARRA requirements or any improper use of ARRA funds but did repeat the issues and recommendations mentioned above, which we have already commented on.

We look forward to working with you to resolve the audit findings in this report.



Steven VanRoekel
Office of Managing Director



Mark Stephens
Chief Financial Officer