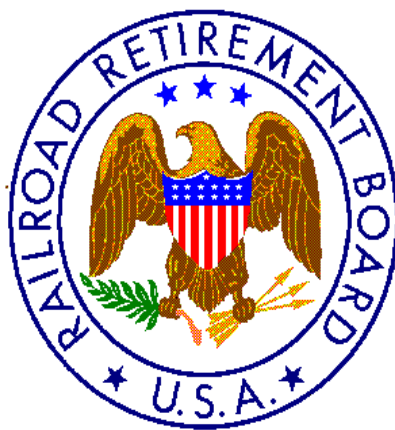


OFFICE OF INSPECTOR GENERAL

Audit Report

**Audit of the Railroad Retirement Board's Compliance with the
Government Charge Card Abuse Prevention Act of 2012**

**Report No. 13-10
September 19, 2013**



RAILROAD RETIREMENT BOARD

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INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) audit of the Railroad Retirement Board's (RRB) compliance with the Government Charge Card Abuse Prevention Act of 2012.¹

Background

The RRB is an independent agency in the executive branch of the Federal Government. The RRB administers the retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death, temporary unemployment or sickness. The RRB paid over \$11.4 billion in benefits to approximately 600,000 beneficiaries during fiscal year (FY) 2012.

At the request of the Office of Management and Budget (OMB), the General Services Administration awarded a schedule contract for government-wide commercial credit (charge) card services to multiple contractors. The contract is intended to provide government-wide commercial credit cards and associated services to civilian and military government employees for the purpose of paying for purchases made for official government purposes. Based on the RRB's best-value review, it selected Citibank.

The RRB uses purchase cards for individual purchases of goods and services and uses travel cards for all payments of expenses related to official Government travel. In FY 2012, the RRB's purchase card and travel card charges totaled approximately \$600,000 and \$500,000, respectively.

Within the RRB, the Office of Administration administers the government charge card program. The Director of Administration serves as the procurement executive. The Director of Administration has appointed an Agency/Organization Program Coordinator (Program Coordinator) to oversee the agency's charge card program. The Program Coordinator is responsible for authorizing Citibank to issue purchase and travel cards and providing oversight to the program. The Bureau of Fiscal Operations (BFO) is responsible for processing authorized payments to all agency vendors, including Citibank.

¹ Public Law 112-194.

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012, which creates stricter rules for Federal employees' use of government charge cards. This includes requiring agencies to establish and maintain safeguards and internal controls over purchase cards, travel cards and centrally billed accounts.² The law also introduces rules of eligibility for travel cards and specific penalties for abuse of inappropriate activity.

The RRB uses the management control review process as a means of reviewing critical agency processes in order to provide reasonable assurance of the effectiveness and efficiency of agency programs and operations. Agency managers prepare management control documentation for the agency's assessable units. Assessable units, defined by agency management, encompass all agency activities that can impact the RRB's mission. Periodic management control reviews are conducted for each assessable unit. Management controls over the government charge card program at RRB is found within the Procurement Assessable Unit.

In order to assess the agency's compliance with the Government Charge Card Abuse Prevention Act of 2012, and to support the agency's goal to "serve as responsible stewards for our customers' trust funds and agency resources," the OIG conducted this audit. The details of the agency's requirements, and our assessment of compliance with each of these requirements, can be found in Appendix I.

Audit Objective

The audit objective was to determine whether the RRB is in compliance with the Government Charge Card Abuse Prevention Act of 2012.

Scope

The RRB's policies, procedures, and records for purchase and travel card transactions from December 2011 through January 2013.

Methodology

To accomplish the audit objective, we:

- identified criteria from the law as well as OMB's government-wide guidance for purchase cards and travel cards;
- identified applicable RRB policies and procedures;
- interviewed responsible agency management and staff;

² A centrally billed account is a card or account established by Citibank at the request of the Program Coordinator for direct payment of transportation expenses. Payments are made directly by the RRB to Citibank.

- reviewed agency documentation;
- conducted walkthroughs of various agency charge card activities;
- verified that the agency's annual charge card spending was below the reporting threshold limits under the Government Charge Card Abuse Prevention Act of 2012;
- reviewed the agency's performance in maintaining required controls that are designed to prevent fraud, waste, or abuse;
- reviewed open recommendations related to charge card controls;
- reviewed charge card statements and invoices for evidence that controls, policies, and procedures are being followed; and
- reviewed charge card payment reports for evidence that payments are being made timely.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our fieldwork at the RRB's headquarters in Chicago, Illinois from January 2013 through August 2013.

RESULTS OF AUDIT

Our audit determined that the agency generally complied with the requirements of the Government Charge Card Abuse Prevention Act of 2012. However, improvements are needed to ensure that the control to perform a continuing need review for charge card holders is included in the management control review process, that written procedures for the continuing need review for charge card holders are developed, and that only credit card statements with proper authorization are processed.

The details of the audit findings and recommendations for corrective action follow. The full text of management responses is presented as Appendix II and Appendix III in the report.

The Management Control Review Process did not Address Continuing Need Reviews for Charge Card Holders

Our audit determined that the management control review process did not include a control for a continuing need review of charge card holders. The continuing need review was not a requirement when the management control review documentation for the Procurement Assessable Unit was last updated.

The Government Charge Card Abuse Prevention Act of 2012 requires the head of each executive agency that issues and uses purchase cards and convenience checks³ to establish and maintain safeguards and internal controls to ensure that periodic reviews be performed to determine whether each charge card holder has a need for the card.

In the absence of a requirement to perform a continuing need review, the Office of Administration did not fully mitigate the risk of misuse and/or delinquency related to charge cards.

Recommendation

We recommend that the Office of Administration:

1. update management control review documentation for the Procurement Assessable Unit to include a control for periodic continuing need reviews of charge card holders.

Management's Response

The Office of Administration concurred with Recommendation 1.

³ Convenience checks are a payment or procurement tool intended only for use with merchants that do not accept purchase cards.

Written Procedures for Continuing Need Reviews did not Exist

The Office of Administration had no written procedures for the continuing need review of charge card holders.

The Government Charge Card Abuse Prevention Act of 2012 requires the head of each executive agency that issues and uses purchase cards and convenience checks to establish and maintain safeguards and internal controls to ensure that periodic reviews be performed to determine whether each charge card holder has a need for the card.

It was the practice of the Office of Administration's to perform the continuing need review annually. However, there were no written procedures, and the Office of Administration did not perform the continuing need review of charge card holders in 2012.

The Program Coordinator stated that the review was not performed in 2012 because other tasks took higher priority. As a result, some RRB employees may continue to hold charge cards that they do not need. The availability of needless charge cards may increase the possibility of fraud, waste, or abuse within the charge card program.

Recommendation

We recommend that the Office of Administration:

2. develop written procedures for continuing need reviews, to include when and how often the review should be performed.

Management's Response

The Office of Administration concurred with Recommendation 2.

Credit Card Statements were Processed Without Proper Authorization

BFO did not always ensure that credit card statements were properly authorized by Approving Officials.

The Government Charge Card Abuse Prevention Act of 2012 requires that each charge card holder be assigned an approving official, other than the card holder, who has the authority to approve or disapprove transactions. At the RRB, each charge card holder is assigned an Approving Official and designated alternate.

According to the agency's written procedures for charge cards, the Approving Official is designated by the card holder's bureau/office head, and is normally the supervisor or administrative staff member to whom a card holder reports for authorization to purchase goods and/or services. The Approving Official is responsible for reviewing and certifying (approving) the card holder's monthly statement, and for forwarding the approved statement to BFO for payment.

During our audit, we found that BFO had processed payments for purchase card statements that had not been properly authorized by the designated Approving Official or Alternate Approving Official. We found that one individual, who was neither the Approving Official nor the designated alternate, had reviewed and approved the purchase card statements for five card holders in each of the three months reviewed.

As a result, purchase card statements were processed for payment without proper authorization. Failure to enforce controls over purchase card approvals may increase the likelihood of improper payments.

During the audit, the Program Coordinator stated that the individual was no longer reviewing and approving the purchase card statements for these five card holders, and that BFO was advised not to accept the individual's signature on the card holder statements.

Recommendation

We recommend that the Bureau of Fiscal Operations:

3. ensure that they only process payments for credit card statements with proper authorization.

Management's Response

The Bureau of Fiscal Operations concurred with Recommendation 3 and stated that their staff has been directed to obtain proper authorization to process payments for credit card statements by validating from the list of RRB Approving Officials personnel authorized to approve charges. Additionally, they stated that BFO staff have been directed to contact the RRB Agency Program Coordinator when there are questions about authorization for payment of credit card statements concerning approving officials.

Government Charge Card Abuse Prevention Act of 2012 Requirements and Assessment of Agency Compliance

The Government Charge Card Abuse Prevention Act of 2012 specifies requirements with which agencies must comply. The details of the requirements, and our assessment of the agency's compliance with each of these requirements, are outlined in the following table on pages 7 and 8.

Requirement	Agency compliance
The agency has a record of each holder of a purchase or travel charge card issued for official use, annotated with the limitations on amounts applicable to the use of each such card by that purchase or travel card holder.	Yes
The agency ensures that each purchase card holder is assigned an approving official other than the card holder with the authority to approve or disapprove transactions.	Yes
<p>The agency ensures that each holder of a purchase card and each official with authority to authorize expenditures charged to the purchase card are responsible for:</p> <ul style="list-style-type: none"> • 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 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. 	Yes
The agency resolves any disputed purchase card charge, and any discrepancy between a receipt and other supporting documentation and the purchase card statement of account, in the manner prescribed in the applicable government-wide purchase card contract entered into by the Administrator of General Services.	Yes
The agency ensures that payments on purchase card accounts are made promptly within prescribed deadlines to avoid interest penalties.	Yes
The agency is required to ensure that rebates and refunds based on prompt payment, sales volume, or other actions on purchase/travel card accounts are reviewed for accuracy and properly recorded as a receipt to the agency that pays the monthly bill.	Yes
The agency ensures that records of each purchase card transaction are retained in accordance with standard government policies on the disposition of records.	Yes
The agency ensures that periodic reviews are performed to determine whether each purchase/travel charge card holder has a need for the purchase/travel charge card.	Yes
The agency ensures that appropriate training is provided to each purchase/travel charge card holder and each official with responsibility for overseeing the use of purchase/travel charge cards issued by the agency.	Yes

Requirement	Agency compliance
<p>The agency has policies regarding:</p> <ul style="list-style-type: none"> • the number of purchase/travel charge cards issued by various component organizations; • the credit limits authorized for various categories of card holders, and categories of employees eligible to be issued purchase/travel charge cards; • minimizing the financial risk to the Federal government of the issuance of the purchase/travel charge cards and ensuring the integrity of purchase/travel charge card holders; and • ensuring that its contractual arrangement with each travel charge card issuing contractor contains a requirement that the creditworthiness of an individual be evaluated before card is issued. 	Yes
<p>The agency uses effective systems, techniques, and technologies to prevent or identify illegal, improper, or erroneous purchases.</p>	Yes
<p>The agency is required to invalidate the purchase/travel charge card of each employee who:</p> <ul style="list-style-type: none"> • ceases to be employed by the agency, immediately upon termination of the employment of the employee; and • 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. 	Yes
<p>The 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.</p>	Yes
<p>The agency provides for appropriate adverse personnel actions or other punishment to be imposed in cases in which employees of the agency violate agency policies or make illegal, improper, or erroneous purchases with purchase cards or commit fraud with travel charge cards.</p>	Yes
<p>The agency prescribes penalties for employee misuse of purchase cards including dismissal of the employee, as appropriate.</p>	Yes
<p>The agency ensures that travel card payments are issued directly to the travel card-issuing bank for credit to the employee's individual travel card account.</p>	Yes
<p>The agency is also required to:</p> <ul style="list-style-type: none"> • ensure that officials with the authority to approve official travel verify that centrally billed account charges are not reimbursed to an employee; • dispute unallowable and erroneous charges and track the status of the disputed transactions to ensure appropriate resolution; and • 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. 	Yes




UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-1151 (1-92)
RAILROAD RETIREMENT BOARD

September 18, 2013

TO : Diana Krueel
Assistant Inspector General for Audit

FROM: Keith B. Earley 
Director of Administration

SUBJECT: Draft – Audit of the Railroad Retirement Board’s Compliance with the Government Charge Card Abuse Prevention Act of 2012

This is in response to your September 11, 2013 draft subject audit report. We have reviewed the draft report and concur with both of the findings and recommendations addressed to the Office of Administration. June 30, 2014, will be the target date for implementation of the audit recommendations.

We were especially pleased to see that the auditors found our charge card programs to be in significant compliance with the requirements of the Government Charge Card Abuse Prevention Act of 2012 (Act) even before the agency’s Program Coordinator had an opportunity to implement the new requirements of the Act. As you are aware, the President signed the Act into law on October 5, 2012, however, the Office of Management and Budget (OMB) did not release the implementation guidance on the Act (OMB Memorandum M-13-21) until September 6, 2013.

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

cc: General Counsel
Assistant to the Director of Administration
Chief of Acquisition Management



UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-1151 (1-92)
 RAILROAD RETIREMENT BOARD

September 16, 2013

TO : Diana Kruef
 Assistant Inspector General for Audit

FROM : George V. Govan **GEORGE**
 Chief Financial Officer **GOVAN**

Digitally signed by GEORGE GOVAN
 DN: cn=US, o=U.S. Government, ou=Railroad
 Retirement Board, cn=GEORGE GOVAN,
 0.9.2342.1920330.100.1.1+9900102299652
 Date: 2013.09.16 09:38:28 -0500

SUBJECT: Draft Report – Audit of the Railroad Retirement Board’s Compliance with
 the Government Charge Card Abuse Prevention Act of 2012

This is in response to your request for comments on the above draft report. Following are
 my comments on recommendations addressed to the Bureau of Fiscal Operations.

We recommend that the Bureau of Fiscal Operations:

3. *Ensure that they only process payments for credit card statements with proper authorization.*

We concur. Our staff has been directed to obtain proper authorization to process
 payments for credit card statements by validating from the list of RRB Approving
 Officials personnel authorized to approve charges. This list is posted by the
 Office of Administration staff on Boardwalk at the following site
 ([://internalappsprd.usrrb.ad.local/classicasp/Boardwalk/rbintranet/default.asp?division=Office+of+Administration&group=Credit+Cards&subgroup=Government+Purchase+Cards](http://internalappsprd.usrrb.ad.local/classicasp/Boardwalk/rbintranet/default.asp?division=Office+of+Administration&group=Credit+Cards&subgroup=Government+Purchase+Cards)). Additionally, BFO staff have been
 directed to contact the RRB Agency Program Coordinator when there are
 questions about authorization for payment of credit card statements concerning
 approving officials. Based on the controls established, we consider this
 recommendation closed as implemented.

If there is any additional information you need, please advise me.

cc: Thomas McCarthy, Chief of TADS
 David Miller, Chief of Treasury Section