



U.S. RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL



**Audit of the Purchase Card
Program at the Railroad
Retirement Board**

Report No. 21-06

May 27, 2021



What HRK & Company Found

Harper, Rains, Knight & Company (HRK) concluded that the Railroad Retirement Board (RRB) purchase card program substantially complied with laws and regulations; however, they identified one instance of non-compliance with the Office of Management and Budget (OMB) Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, Revised August 27, 2019, and one instance of non-compliance with the Government Charge Card Abuse Prevention Act of 2012.

HRK also concluded that RRB properly designed its internal controls over its purchase card program to detect and prevent fraud, waste, abuse and misuse; however, oversight and monitoring of the cardholder account opening procedures controls could be improved.

What HRK Recommends

To address the weaknesses identified in this audit, HRK made four recommendations to the Office of the Director of Administration to: (1) update its policies and procedures to ensure compliance with the Government Charge Card Abuse Prevention Act of 2012 and Office of Management and Budget Circular A-123, Appendix B; (2) create a monitoring procedure to periodically review the higher-level federal policy for the purchase card program to address when changes or updates are made to federal law or Office of Management and Budget or General Services Administration guidance; (3) create a control where management reviews, on a sample basis, the purchase card account opening documentation to ensure it adheres to the RRB's policy to ensure that the Program Coordinator does not process the application unless the cardholder and the approving official have completed the necessary training; and (4) maintain all documentation related to the opening of an account in an electronic environment.

RRB management concurred with all four recommendations.

What We Did

The Office of Inspector General (OIG) for the RRB engaged HRK to conduct a performance audit of the RRB's purchase card program. This audit was conducted in accordance with the performance audit standards established by Generally Accepted Government Auditing Standards. HRK is responsible for the audit report and the conclusions expressed therein. RRB OIG does not express any assurance on the conclusions presented in HRK's audit report.

The audit objective was to identify and assess control weaknesses for the RRB's purchase card program.

In order to complete this work, HRK identified criteria in laws, regulations, and best practices; identified applicable RRB policies, procedures; and gained an understanding of the monetary total and total purchase card transactions for fiscal year 2019. HRK also conducted walkthroughs and interviewed applicable agency staff to understand the internal controls, processes, systems, and procedures used to manage the agency's purchase card program.

The scope of the audit was purchase card transactions made during fiscal year 2019.



U.S. RAILROAD RETIREMENT BOARD
PERFORMANCE AUDIT OVER THE
PURCHASE CARD PROGRAM
FOR THE FISCAL YEAR 2019

AUDIT OF THE PURCHASE CARD PROGRAM
AT THE RAILROAD RETIREMENT BOARD

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**INDEPENDENT AUDITORS' PERFORMANCE AUDIT REPORT
ON THE U.S. RAILROAD RETIREMENT BOARD PURCHASE CARD PROGRAM**

Inspector General
U.S. Railroad Retirement Board:

We were engaged by the U.S. Railroad Retirement Board (RRB), Office of Inspector General (OIG), to conduct a performance audit of the RRB purchase card program for fiscal year (FY) 2019. RRB uses purchase cards to reduce administrative costs and time for purchasing and paying for goods and services.

Our performance audit objective over the purchase card program was to identify and assess control weaknesses for the RRB's purchase card program.

To perform our audit, we interviewed personnel within RRB's Office of Administration. We reviewed the existing RRB purchase card directives, guidance issued by regulatory agencies, and purchase card activity data supplied by RRB. We selected samples of the agency's controls over both the issuance and closing of purchase cardholder accounts, as well as samples of the agency's active cardholder accounts. We selected a statistical sample of purchase card activity made during FY 2019 to conduct control and substantive tests over the RRB purchase card program.

We conducted this performance 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 concluded that the RRB purchase card program substantially complies with laws and regulations; however, we did identify one instance of non-compliance with the Office of Management and Budget (OMB) Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, Revised August 27, 2019 and one instance of non-compliance with the Government Charge Card Abuse Prevention Act of 2012. The identified instances of non-compliance are listed below:

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Inspector General
Purchase Card Performance Audit

- RRB Administrative Order OA-21 does not include reference to, "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."
- RRB Administrative Order OA-21 does not include reference to, "Contact employees to inquire about questionable or suspicious transactions."

We issued one Notice of Findings and Recommendations (NFR) to RRB over compliance with laws and regulations.

We concluded that the RRB has properly designed their internal controls over its purchase card program to detect and prevent fraud, waste, abuse and misuse; however, we found that oversight and monitoring of the cardholder account opening procedures controls could be improved. The exceptions were as follows:

- RRB could not provide a Form G-754 that was signed by the cardholder applicant's approving official to support one agency issued Government Purchase Card that was opened.
- RRB could not provide evidence that the approving official completed all required training prior to the approval of the application to support one agency issued Government Purchase Card that was opened.

We issued one NFR to RRB over the identified internal control deficiencies.

We found, through our substantive testing procedures, no exceptions over the validity and approval of purchase card transactions.

This report is for the purpose of concluding on the audit objectives described above. Accordingly, this report is not suitable for any other purpose. We appreciate the cooperation and courtesies that RRB personnel extended to us during the execution of this performance audit.

Hoyou, Raino, Knight & Company, P.A.

May 26, 2021
Washington, D.C.

Objective, Scope, and Methodology

Objective

The audit objective was to identify and assess control weaknesses for the RRB's purchase card program.

Scope

The scope of the audit was purchase card transactions made during fiscal year 2019.

Our performance audit was not designed to, and we did not, perform a financial audit of the amounts obligated or expended by RRB.

Methodology

To accomplish the audit objectives, we:

- Identified criteria from the Government Charge Card Abuse Prevention Act of 2012;
- Identified criteria from Title 31 U.S.C. § 1301 – Appropriations, and Title 31 United States Code 1501 & 1502 – Documentary Evidence and Balances Available;
- Identified criteria from GAO's Standards for Internal Control in the Federal Government;
- Identified criteria from RRB internal guidance;
- Identified criteria from other guidance, as applicable;
- Identified the monetary total and total purchase card transactions for fiscal year 2019;
- Conducted interviews and process walkthroughs with officials at RRB and within the Office of Administration organization to understand the internal controls, processes, systems, and procedures used to manage the agency's purchase card program;
- Performed audit procedures to address the audit objective and in accordance with *Government Auditing Standards* (GAS); and
- Reviewed and assessed RRB internal controls as related to the purchase card program.

We selected samples of the agency's controls over the issuance of purchase accounts and closing of cardholder accounts at separation, as well as samples of the agency's controls over active cardholder accounts. Sample items were tested for compliance with RRB purchase card policies and procedures as well as compliance with the requirements of OMB Circular A-123, Appendix B.

We also selected samples of purchase card transactions during FY 2019. Testing performed over the sample included verification of: transaction support; transaction approval; allowable Merchant Category Codes (MCC); appropriate purchases for government use; purchases obtained from the required sources of supply and service; cardholder not splitting purchases; and balances paid timely.

Criteria

We used the following to perform the audit:

- GAO *Government Auditing Standards*, 2018 Revision:
 - Chapter 8: Field Work Standards for Performance Audits;
 - Chapter 9: Reporting Standards for Performance Audits;
- GAO Standards for Internal Control in the Federal Government, September 2014;
- OMB Circular No. A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, Revised August 27, 2019;
- Government Charge Card Abuse Prevention Act of 2012;
- Treasury Financial Manual, Vol.1, Part 4, Section 4525;
- Public Law 112-194;
- Title 31 U.S.C. § 1301 – Appropriations, and Title 31 United States Code 1501 & 1502 – Documentary Evidence and Balances Available; and
- RRB internal guidance.

Background

A U.S. government purchase card (GPC) is an internationally accepted credit card issued by individual contractors and available to personnel in all federal agencies under a single General Services Administration (GSA) contract. The purpose of purchase card programs is to minimize the paperwork needed to make purchases with proper authorization.

The Office of Management and Budget (OMB) Circular No. A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, Revised August 27, 2019, sets forth policies and procedures Federal agencies should use to maintain internal controls that reduce the risk of fraud, waste, and error in government purchase card programs. Management's understanding of internal controls is essential in ensuring accountability at all levels of purchase card use.

At the request of the Office of Management and Budget (OMB), the General Services Administration (GSA) awarded a schedule contract for Governmentwide commercial credit card services to multiple contractors. The contract is intended to provide, at the request of Federal ordering agencies, 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 agency's best-value review, it selected U.S. Bank.

Through November 29, 2018, Citibank was the contractor that provided commercial credit card services to RRB. On November 30, 2018, RRB changed contractors, as U.S. Bank is now the contractor that provides timely delivery of all products and services specified in the RRB's task order, within the parameters established under the GSA Master Contract. U.S. Bank assists the RRB with account setup, account maintenance, reporting and establishing billing, reconciliation,

and dispute processes that properly support the RRB's GPC Program. Citibank, as the previous contractor, provided the exact same services to RRB that U.S. Bank currently provides. The contractor transition occurred because U.S. Bank provided better value to RRB.

Purchase cards allow the same individual to order, pay for, and receive goods and services. Purchase cards are at a high risk for misuse, fraud, waste, and abuse. Accordingly, if the internal controls governing the RRB purchase card program is not sufficient, properly designed, and fully implemented, RRB will not be able to detect and prevent fraudulent purchases or other improper use of the cards.

The Office of Administration at RRB has responsibility for overall management of the commercial purchase card program. RRB defines its internal controls for its purchase card programs in the form of Administrative Circular OA-21, *Government Purchase Card Procedures*. Included in the directive are responsibilities for individuals and RRB offices, guidance on authorized use of the purchase card, purchase limits, reconciliation and payments and training requirements for those involved with the use of the agency's purchase card.

Key roles within the RRB's purchase card program include the Head of Contracting Activity, Agency/Organization Program Coordinator (A/OPC), approving officials, and cardholders. The Head of Contracting Activity, as the agency's procurement executive, issues the Delegation of Authority to cardholders. This Delegation specifies the authority being delegated and any limitations on the authority. The A/OPC oversees the agency's government purchase card program and establishes guidelines. The A/OPC also serves as the focal point for answering questions, completing contract administration activities, coordinating applications, issuing and destroying cards, establishing and reviewing reports, managing administrative training and serving as the overall point of contact between cardholders, the RRB, U.S. Bank and GSA. Approving officials are designated by the cardholder's bureau/office head, and are normally the supervisor or administrative staff member to whom a cardholder reports for authorization to purchase required supplies and/or services. Approving officials review and certify the cardholder's monthly statements, assist in the reconciliation of cardholder accounts, and ensure that proper procedures are followed when purchasing supplies or services. The cardholder is the individual designated by the RRB who has been issued a GPC. The card bears the cardholder's name and may only be used by that individual.

Applications for GPC accounts will be forwarded from the respective bureau/office head to the A/OPC. Purchase cards, while issued to a named cardholder, are a delegation of RRB's procurement authority. When purchase cards are used for the purpose of micro purchases (anything less than \$3,000), the purchase must be from a small business, and only one quotation is needed. At least three sources must be solicited for purchases with an estimated price of \$3,000 to \$150,000.

Audit Results

We concluded that the RRB purchase card program substantially complies with laws and regulations; however, we did identify one instance of non-compliance with the Office of Management and Budget (OMB) Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, Revised August 27, 2019 and one instance of non-compliance with the Government Charge Card Abuse Prevention Act of 2012.

We concluded that the RRB has properly designed their internal controls over its purchase card program to detect and prevent fraud, waste, abuse and misuse; however, we found that oversight and monitoring of the cardholder account opening controls could be improved.

We found, through our substantive testing procedures, no exceptions over the validity and approval of purchase card transactions.

Compliance with Laws and Regulations

The Office of Administration has overall responsibility for compliance with laws and regulations covering the RRB's purchase card program.

In order to determine if the RRB's purchase card program was in compliance with laws and regulations, we first made inquiries with Office of Administration personnel and obtained the RRB Directive covering the purchase card program, Administrative Circular OA-21. We then identified the following applicable Federal law and regulations for the management and oversight of purchase card programs:

- Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194);
- Office of Management and Budget (OMB) Memorandum M-13-21 *Implementation of the Government Charge Card Abuse Prevention Act of 2012*;
- OMB Circular No. A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, Revised August 27, 2019;
- GAO *Government Auditing Standards*, 2018 Revision:
 - Chapter 8: Field Work Standards for Performance Audits;
 - Chapter 9: Reporting Standards for Performance Audits;
- GAO Standards for Internal Control in the Federal Government, September 2014;
- Treasury Financial Manual, Vol.1, Part 4, Section 4525; and
- Title 31 U.S.C. § 1301 – Appropriations, and Title 31 United States Code 1501 & 1502 – Documentary Evidence and Balances Available.

Finding Number 1: RRB's purchase card policies and procedures do not include all required internal control safeguards and do not include a periodic review of Federal policy to address changes or updates.

Using the above RRB directives and the applicable Federal laws and regulations, we compared the requirements found in the laws and regulations to the RRB Directives. Our tests for compliance with the applicable provisions of laws and regulations disclosed one instance of noncompliance with the Government Charge Card Abuse Prevention Act of 2012, and one instance of noncompliance with the Office of Management and Budget (OMB) Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, Revised August 27, 2019, for the periods covered by our performance audit:

- RRB Administrative Circular OA-21 does not include reference to, "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."
- RRB Administrative Circular OA-21 does not include reference to, "Contact employees to inquire about questionable or suspicious transactions."

We considered the above to be a non-compliance with laws and regulations of the purchase card program.

RRB policies and procedures have not been updated to include all required safeguards and internal controls, specifically the two omitted requirements, as cited in the findings above, to be compliant with the Government Charge Card Abuse Prevention Act of 2012 and Office of Management and Budget Circular A-123, Appendix B. Not including all required safeguards and internal controls required by federal law has caused RRB to be non-compliant with the Government Charge Card Abuse Prevention Act of 2012 and Office of Management and Budget Circular A-123, Appendix B, and could lead to a failure to detect and prevent fraud, waste, abuse, and misuse in RRB's charge card program.

Recommendations

We recommend that the Office of the Director of Administration:

1. Update its policies and procedures to include the following required safeguards and internal controls to be compliant with the Government Charge Card Abuse Prevention Act of 2012 and Office of Management and Budget Circular A-123, Appendix B.
 - "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." (per the Act)
 - "Contact employees to inquire about questionable or suspicious transactions." (per OMB Circular A-123 Appendix B)

2. Create a monitoring procedure to periodically review the higher-level federal policy for the purchase card program to address when changes or updates are made to federal law or Office of Management and Budget or General Services Administration guidance.

Management Comments

The Office of Administration concurred with Recommendations 1 and 2 and stated that they would implement the changes.

Identification of Internal Controls

The purchase card program is the responsibility of the Office of Administration. RRB defines its internal controls for its purchase card programs in the form of Administrative Circular OA-21, *Government Purchase Card Procedures*. We performed walkthroughs with RRB personnel to gain an understanding of the controls documented in the respective directives.

To determine if the internal controls and processes documented in the directives were designed appropriately to meet the requirements of OMB A-123, Appendix B, we developed a crosswalk between the requirements from OMB and the internal control policies and procedures documented in the RRB directives. Based on our audit procedures, we determined that, with one exception, the internal controls documented in the RRB directives are designed properly, to detect and prevent fraud, waste, abuse, and misuse in the RRB purchase card program.

Operating Effectiveness of Internal Controls

The Office of Administration is responsible for the implementation, operating effectiveness, and monitoring of the internal control environment it has documented in Administrative Circular OA-21.

We tested the implementation, operating effectiveness, and monitoring of the controls by first identifying the key controls in the directives to meet the objectives of this performance audit. We designed procedures to test the operating effectiveness of the controls.

Active Accounts and Purchase Card Openings

In order to determine if RRB was properly managing its active cardholder accounts in accordance with its directives, we obtained the universe of active cardholder accounts in FY 2019. This universe consisted of 73 active purchase cards. We selected a sample of 15 purchase cards.

We verified that the cardholder had a current training certificate produced by GSA's online SmartPay Government Purchase Card Training Course, and that the cardholder's account expiration date did not expire prior to September 30, 2019. RRB provided sufficient audit evidence for all 15 of the requested sample items.

In order to determine if RRB was issuing purchase cards in accordance with its directives, we obtained the universe of purchase cards issued in FY 2019. This universe consisted of eight newly opened purchase cards. We selected a sample of five accounts opened in our testing period.

We verified that, prior to issuing the purchase card, the card applicant had completed the government purchase card set-up form; the application was reviewed and approved by the cardholder's supervisor; the approving official completed all required training prior to approval of the application; and the applicant successfully completed the GSA SmartPay purchase cardholder training.

Finding Number 2: Controls over the issuance of purchase cards need to be strengthened.

Two exceptions were identified as a result of our test work:

- RRB could not provide a Form G-754 that was signed by the cardholder applicant's approving official to support one agency issued Government Purchase Card that was opened.
- RRB could not provide evidence that the approving official completed all required training prior to the approval of the application to support one agency issued Government Purchase Card that was opened.

We considered the above to be a deficiency in the operating effectiveness of the purchase card program.

This deficiency was caused by RRB not consistently documenting, monitoring or enforcing the proper controls to support charge card procedures when an account is opened. This deficiency could lead to a failure to detect and prevent fraud, waste, abuse, and misuse in RRB's purchase card programs.

Recommendations

We recommend that the Office of the Director of Administration:

3. Create a control where management reviews, on a sample basis, the purchase card account opening documentation to ensure it adheres to the RRB Administrative Circular OA-21 that states, "The Agency/Organization Program Coordinator will not process the application unless the cardholder and the approving official have completed the necessary training. The certificate of completion must be attached to the application, along with the completed RRB Form G-754."
4. Maintain all documentation related to the opening of an account in an electronic environment to support ease of retrieval.

Management Comments

The Office of Administration concurred with Recommendations 3 and 4 and stated that they would implement the changes.

Purchase Card Closures

In order to determine if RRB is closing purchase cards in accordance with its directives, we obtained the universe of purchase cards issued in FY 2019. This universe consisted of 13 closed purchase cards. We haphazardly selected a sample of five accounts. No exceptions were identified as a result of our test work.

We verified that the purchase card was disabled in a timely manner, and that no transaction activity occurred after the account closing. RRB provided sufficient audit evidence for all five of the requested sample items.

Purchase Card Transaction Validity

The Office of Administration has responsibility to ensure purchase card transactions are valid and properly approved.

To test the validity of the purchase card transactions, we selected a random sample of 78 transactions from the purchase card population from FY 2019. To ensure that the population was completed, we reconciled the purchase card population to the RRB FY 2019 general ledger. We performed the following procedures:

- Traced amounts to supporting invoices;
- Verified the transaction as appropriately authorized;
- Verified the Contracting Officer signed the purchase order for all purchase over the micro-purchase levels at HQ and the District Director signed the purchase order for all purchase over the micro-purchase levels for the field offices;
- Verified the Merchant Category Code (MCC) is allowable;
- Verified the purpose of the transaction is reasonable;
- Verified the transaction as not part of a split-purchase agreement; and
- Verified the transaction was appropriately paid and done so in a timely manner.

RRB provided sufficient and appropriate evidence for the 78 sample transactions. Therefore, we have no findings and no recommendations related to the validity of purchase card transactions.

Management's Response

RRB management concurred with findings 1, 2, 3, and 4.

Management's full response is provided at *Appendix B*.

Auditors' Consideration of Management's Response

RRB's response to the findings identified above are described throughout the report in summary and in *Appendix B* in full. RRB's response was not subjected to the auditing procedures applied in the performance audit and, accordingly, we express no conclusion on it.

Appendix A – Statistical Sample Methodology and Results

This appendix presents the methodology and results of our statistical samples to assess compliance with key purchase card policies and implementation of related internal controls, as well as to project our results to the universe.

Scope

As we were testing transactions; account openings; account closings; and active accounts, we selected four different samples.

Our transaction sample was selected from a list of purchase card transactions for the period of October 1, 2018 through September 30, 2019. The universe consists of 1294 purchase card transactions, as received from a 3rd party, Citibank and US Bank, excluding OIG purchase card transactions.

Our account opening sample was selected from a list of purchase card account openings for the period of October 1, 2018 through September 30, 2019. The universe consists of 8 purchase card openings, as received as received from the RRB's OA, excluding OIG purchase card openings.

Our account closing sample was selected from a list of purchase card account closings for the period of October 1, 2018 through September 30, 2019. The universe consists of 13 purchase card closings, as received as received from the RRB's OA, excluding OIG purchase card closings.

Our active account sample was selected from a list of active purchase card accounts for the period of October 1, 2018 through September 30, 2019. The universe consists of 73 purchase cards, as received from the RRB's OA, excluding OIG purchase cards.

Sampling Methodology

We used attribute sampling to test specific controls (attributes) and to allow us to project the number of comparable errors to the universe. This resulted in the following sample sizes:

A sample size of 78 transactions from the universe of 1,294 purchase card transactions across both vendors, Citibank and US Bank. We identified two buckets with higher risk, consisting of MCC's with the most activity and cardholders with the greatest spending. For our sample of 78, we selected 25 transactions from each identified bucket. Using Excel's random number generator, we selected these 25 sample items from each bucket and the remaining 28 items were randomly selected from the remaining population of transactions. This approach ensures that the two areas we viewed as higher risk were guaranteed to have an appropriate level of transactions for testing and ensuring that every transaction in the population has an opportunity for selection.

Appendix A
Statistical Sample Methodology and Results
Purchase Card Performance Audit

A sample size of 5 purchase card openings from the universe of 8 openings and a sample size of 5 purchase card closings from the universe of 13 closings were randomly selected using Excel's random number generator. We consider these items to be small population size items, occurring less than semi-monthly, therefore, we selected the conservative number of five transactions for further review.

We identified 73 purchase card accounts with activity during the period of review. For populations less than 250, the FAM recommends selecting 10 percent of the population. In this instance, we doubled the recommended sample size and selected 15 active purchase card accounts for further testing to ensure that we obtained appropriate coverage.

Results

We tested the following samples:

- A sample of 78 transactions, drawn from a population of 1294;
- A sample 5 purchase card openings, drawn from a population of 8;
- A sample of 5 purchase card closings, drawn from a population of 13; and,
- A sample of 15 active purchase card accounts, drawn from a population of 73.

A description of the attributes tested, shown as exceptions statements, and the results of our testing are shown in Table 1. When no exception was found for a specific test, no projected minimum number of errors is made.

Table 1: Statistical Sample Results

| Attribute Tests | Sample Number Tested | Exceptions Observed in Sample | Exceptions as a Percentage of Sample | Projected Minimum Number of Errors in Universe |
|--|----------------------|-------------------------------|--------------------------------------|--|
| Transactions | | | | |
| Determine if appropriate and sufficient documentation (requisition, purchase card worksheet, invoice etc.) is available to support the purchase card transaction and subsequent payment. | 78 | 0 | - | - |
| Verify the purchase card transaction was appropriately authorized by the Authorizing Official (or equivalent) and was a done so in a timely manner. | 78 | 0 | - | - |
| Trace the dollar amount for each sample per the GL detail to the supporting obligating document, receiving report, and invoice. | 78 | 0 | - | - |
| Verify a Contracting Officer manually signed the purchase order for all purchases over the micro-purchase level and verify the Contracting Officer had the appropriate warrant authority to execute the purchase card transaction. | 78 | 0 | - | - |
| Verify the appropriateness of the Merchant Category Code (MCC) (or equivalent) assigned to the purchase card transaction based on the nature of the purchase and determine whether the MCC code used is allowable. | 78 | 0 | - | - |

Appendix A
Statistical Sample Methodology and Results
Purchase Card Performance Audit

| Attribute Tests | Sample Number Tested | Exceptions Observed in Sample | Exceptions as a Percentage of Sample | Projected Minimum Number of Errors in Universe |
|--|----------------------|-------------------------------|--------------------------------------|--|
| Verify the purpose of the purchase card transaction is reasonable and appropriate based on the nature of the underlying purchase and established guidelines and protocols over the spending of federally issued funds. | 78 | 0 | - | - |
| Verify the purchase card transaction was not part of split-purchase agreement (prohibited). | 78 | 0 | - | - |
| Verify the purchase card transaction was appropriately paid and done so in a timely manner, according to the terms of the cardholder agreement. | 78 | 0 | - | - |
| Account Openings | | | | |
| Verify the cardholder completed an application for the purchase card. | 5 | 0 | - | - |
| Verify the cardholder's purchase card application was reviewed and approved by their supervisor. | 5 | 1 | 20% | 2 |
| Verify the approving official completed all required training prior to approval of the application. | 5 | 1 | 20% | 2 |
| Verify the employee applying for the purchase card account completed all required training prior to submission of their application. | 5 | 0 | - | - |

Appendix A
 Statistical Sample Methodology and Results
 Purchase Card Performance Audit

| Attribute Tests | Sample Number Tested | Exceptions Observed in Sample | Exceptions as a Percentage of Sample | Projected Minimum Number of Errors in Universe |
|---|----------------------|-------------------------------|--------------------------------------|--|
| Account Closings | | | | |
| Determine whether protocols in place over the closing, suspension, and/or deactivation of purchase card accounts are being followed and determine if deactivation measures were taken in timely manner. | 5 | 0 | - | - |
| Determine if purchase card transactions have erroneously taken place after deactivation of the cardholder's account. | 5 | 0 | - | - |
| Active Accounts | | | | |
| Verify the cardholder has a current training certificate produced by GSA's online SmartPay Government Purchase Card Training course (within 3 years of 9/30/19). | 15 | 0 | - | - |
| Verify the cardholder's account expiration date does not expire prior to 9/30/19. | 15 | 0 | - | - |

Appendix B – Management's Response



UNITED STATES GOVERNMENT

Memorandum

FORM G-115F (01-92)

RAILROAD RETIREMENT BOARD
CHICAGO, IL
bfs@rrb.gov
MAY 14, 2021

TO : Debra Stringfellow-Wheat
Assistant Inspector General for Audit

FROM : Daniel J. Fadden
Senior Executive Officer / Director of Administration

SUBJECT: Office of Administration Response to Draft Report - Performance Audit of the RRB's Purchase Card Program

DANIEL FADDEN
Digitally signed by DANIEL FADDEN
Date: 2021.05.14 16:23:33 -05'00'

We have received and reviewed the draft report from Harper, Rains, Knight & Company (HRK) on their Performance Audit of the U. S. Railroad Retirement Board's "Purchase Card program for Fiscal Year 2019."

Please note there are several references in the draft to the "Office of Administration/Division of Acquisition Management" which should be corrected to reflect the "Office of the Director of Administration" as the responsible organization prior to the report being finalized. Although minor, Purchase Card management and oversight does not fall under the Division of Acquisition Management. Rather, is the responsibility of the Director of Administration who, as the agency's Senior Procurement Executive (SPE), is solely responsible for granting the authority/delegation of authority for the use of the Purchase Cards.

The staff of the Office of Administration (OA) have devoted a substantial amount of time and effort over the last 18 months to update the policies, procedures and internal controls contained within Administrative Circular OA-21 "Government Purchase Card Procedures" which was approved for publication on 9/25/2020. Consequently, we gratefully appreciate the acknowledgement from the HRK Audit Team that the RRB's Purchase Card program substantially complies with all applicable rules and regulations and that the RRB maintains effective Internal Controls over the Agency's Purchase Card Program. However, we also acknowledge and agree there are incremental improvements which can be implemented to strengthen what is already an effective program.

Recommendation No. 1

We recommend that the Office of the Director of Administration:

Update its policies and procedures to include the following required safeguards and internal controls to be compliant with the Government Charge Card Abuse Prevention Act of 2012 and Office of Management and Budget Circular A-123, Appendix B.

- "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." (per the Act)
- "Contact employees to inquire about questionable or suspicious transactions." (per OMB Circular A-123 Appendix B)

RRB Management Concurrs with the recommendation and has set a target date of 09/30/2021 for completion.

Appendix B
Management's Response

Recommendation No. 2

We recommend that the Office of the Director of Administration:

Create a monitoring procedure to periodically review the higher-level federal policy for the purchase card program to address when changes or updates are made to federal law or Office of Management and Budget or General Services Administration guidance.

RRB Management Concurs with the recommendation and has set a target date of 09/30/2021 for completion.

Recommendation No. 3

We recommend that the Office of the Director of Administration:

Create a control where management reviews, on a sample basis, the purchase card account opening documentation to ensure it adheres to the RRB Administrative Circular OA-21 that states, "The Agency/Organization Program Coordinator will not process the application unless the cardholder and the approving official have completed the necessary training. The certificate of completion must be attached to the application, along with the completed RRB Form G-754."

RRB Management Concurs with the recommendation and has set a target date of 09/30/2021 for completion.

Recommendation No. 4

We recommend that the Office of the Director of Administration:

Maintain all documentation related to the opening of an account in an electronic environment to support ease of retrieval.

RRB Management Concurs with the recommendation and has set a target date of 09/30/2021 for completion.

The courtesy, responsiveness and professionalism shown by the staff of Harper, Rains, Knight & Company throughout the performance of their audit work was greatly appreciated!

CC: Timothy Hogueisson - Director of Audit Affairs and Compliance