

*Evaluation Report*

Fiscal Year 2013 Risk Assessment of  
the Social Security Administration's  
Charge Card Programs

# OIG

Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** January 30, 2014 **Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Fiscal Year 2013 Risk Assessment of the Social Security Administration's Charge Card Programs (A-13-14-14055)

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

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



Patrick P. O'Carroll, Jr.

Attachment

# Fiscal Year 2013 Risk Assessment of the Social Security Administration's Charge Card Programs

## A-13-14-14055



January 2014

Office of Audit Report Summary

### Objective

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

### Background

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

This Act requires that all Executive Branch agencies implement internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. It also establishes additional reporting and audit requirements. Under the Act, Inspectors General are tasked, among other things, with conducting periodic risk assessments of agencies' purchase card or convenience check programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments. Similarly, Inspectors General of executive agencies with more than \$10,000,000 in travel card spending are required to conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments.

### Our Conclusions

This report addresses the requirement that we complete a risk assessment of the Social Security Administration's (SSA) charge card programs. SSA has both purchase and travel card programs and uses centrally billed accounts (CBA) for travel. In Fiscal Year (FY) 2013, SSA reported about \$59 million in purchase card use and about \$14 million in travel card expenses. SSA does not use convenience checks or integrated charge cards, so our risk assessment only addresses purchase cards, travel cards, and CBAs.

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

In 2010, we audited SSA's purchase card program. Based on those audit findings, the Agency's reported corrective actions taken in response to our audit, and the various data reviewed, we believe the risk associated with SSA's use of purchase cards is "low."

SSA has policies and procedures in place regarding use of travel cards and CBAs. We will initiate an audit of the Agency's travel card program in FY 2014.

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## **ABBREVIATIONS**

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

## OBJECTIVE

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

## BACKGROUND

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

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

- conduct periodic risk assessments of agencies' purchase card or convenience check programs;<sup>4</sup>
- identify and analyze the risks of illegal, improper, or erroneous purchases and payments; and
- develop a plan for using such risk assessments to determine the scope, frequency, and number of periodic audits of purchase card or convenience check transactions.<sup>5</sup>

Similarly, Inspectors General of executive agencies with more than \$10,000,000 in travel card spending are required to conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments.<sup>6</sup> The findings of such audits or reviews along with recommendations to prevent improper use of travel cards are required to be reported to the Director of OMB and Congress.<sup>7</sup>

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

<sup>2</sup> Id.

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

<sup>4</sup> SSA does not use convenience checks or integrated charge cards.

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

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

<sup>7</sup> Id.

As of October 2013, SSA had 2,848 active purchase cardholders and 23,853 active travel cardholders. We reviewed various sources of information to determine whether, at the time of our review, SSA's internal controls complied with the Act and were designed to reduce the risk of illegal, improper, or erroneous purchases in the Agency's charge card programs. See Appendix A for our scope and methodology.

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

## RESULTS OF ANALYSIS

This report addresses the requirement that we complete a risk assessment of the Social Security Administration's (SSA) charge card programs. SSA has both purchase card and travel card programs and uses centrally billed accounts (CBA) for travel. In Fiscal Year (FY) 2013, SSA reported about \$59 million in purchase card use and about \$14 million in travel card expenses. Additionally, SSA reported 27,054 individuals used their travel cards with a range of charges between \$.01 and \$7,464, and a yearly average use per person of \$508. SSA does not use convenience checks or integrated charge cards, so our risk assessment only addresses purchase cards, travel cards, and CBAs.

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

In 2010, we audited SSA's purchase card program.<sup>8</sup> Based on the findings from that audit, the Agency's reported corrective actions taken in response to our audit, and the various data reviewed, we believe the risk associated with SSA's use of purchase cards is "low."

SSA has policies and procedures in place regarding use of travel cards and CBAs. We will initiate an audit of SSA's travel card program in FY 2014.

## Purchase Card Assessment

To assess the risk of illegal, improper, and erroneous purchases made through SSA's Government purchase card program, we reviewed SSA's policies and procedures, additional internal controls, delinquent accounts, and disciplinary actions. SSA has policies and procedures designed to reduce the risk of illegal, improper, and erroneous purchases made using purchase cards. In addition, we reviewed information from our prior audit of SSA's Government purchase

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<sup>8</sup> SSA OIG, *The Social Security Administration's Government Purchase Card Program*, (A-13-09-29027), March 25, 2010

card program. Based on the data reviewed, we believe the risk associated with purchases made using purchase cards is “low.”

### *Policies and Procedures*

SSA has policies and procedures in place to address applicable internal control requirements identified in the Act regarding purchase cards (see Appendix B for Act requirements). Many of the Act’s requirements are documented in SSA’s 2013 Purchase Card Management Plan. As required,<sup>9</sup> the Plan outlines the Agency’s policies and procedures critical to managing its program. One requirement of the Act calls for agencies to “. . . use effective systems, techniques, and technologies to prevent or identify illegal, improper, or erroneous purchases.” Through our review of the Purchase Card Management Plan, and discussions with SSA staff, we determined SSA uses a variety of systems, techniques, and technologies to prevent or identify such purchases. For example, the Purchase Card Management Plan indicates SSA uses a tool to identify split purchases made by purchase cardholders. A split purchase is defined as multiple purchase transactions—totaling over the \$3,000 micro-purchase dollar threshold—made by the same purchase cardholder to the same vendor on the same day.

OAG staff provided an example of a report generated using the split purchase tool. Using information in the report and additional data analysis, staff determines whether transactions were true split purchases. When the assessments are complete, staff documents its conclusions in an email to the purchase cardholder. OAG staff provided an example of an email in which an employee was reprimanded for completing a split purchase. The decision states, “We determined that your single order was a split purchase . . . The purchase includes shipping charges that makes the total of your purchase exceed your delegated acquisition authority of \$3,000 per single transaction. We will contact your approving official regarding additional documentation needed to ratify this purchase.” SSA’s use of the split purchase tool and other techniques identified in the Purchase Card Management Plan helps the Agency prevent or identify illegal, improper, or erroneous purchases.

We also found relevant policy and procedure-related information on OAG’s Intranet Website and Administrative Instructions Manual System. The policies and procedures on the Website and in the Manual were intended to reduce the risk of illegal, improper, or erroneous purchases occurring in the Agency’s charge card program.

### *Additional Internal Controls*

In addition to policies and procedures addressing statutory requirements, SSA had internal controls in place to assist it in managing purchase cards. In its 2013 Purchase Card Management Plan, SSA documented several examples of these controls as best practices and methods effective in managing risk.

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<sup>9</sup> OMB, A-123, App. B (Revised January 2009).

For example, the Act requires that “appropriate training” be provided to each purchase cardholder and each official with responsibility for overseeing the use of purchase cards.<sup>10</sup> In addition, OMB Circular A-123, Appendix B requires that staff take refresher training at least every 3 years.<sup>11</sup> SSA’s policies and procedures have an additional control to ensure staff takes refresher purchase card training. If cardholders do not timely complete the training, SSA suspends their acquisition authority and deactivates their purchase cards until they certify they have completed the training.<sup>12</sup>

In addition, SSA issues Acquisition Alerts to remind employees to comply with existing policies and regulations and inform cardholders about new policies and regulations. SSA posts these Alerts to its Intranet site. For example, SSA published an Alert on September 30, 2013 titled, *Prohibitions on Making Purchases During the Government Furlough*. The Alert reminded micro-purchasers that they could not purchase supplies or services while the Government shutdown was in effect.

### *Delinquent Accounts and Disciplinary Actions*

We requested information regarding delinquent purchase card accounts and disciplinary actions taken against purchase cardholders for the period October 1, 2011 through June 30, 2013. Staff reported there were no delinquent accounts during the period, and no disciplinary actions had been taken against employees for misusing the card. Our Office of Investigations reported it had not initiated any investigative cases for alleged purchase card misuse for the same period.

### *Prior Audit Report*

In 2010, we issued a report on SSA’s charge card program.<sup>13</sup> During the audit, we found cardholders did not always comply with SSA’s policies and procedures. Our testing of purchase card transactions found 36 of 50 transactions reviewed (a) did not have adequate pre-approval documentation; (b) had no documentation that the goods were received and accepted; and/or (c) had no documentation provided. These transactions totaled about \$8,300. In addition, for 12 of 50 possible split purchases we examined, the cardholders circumvented their \$3,000 single-purchase limit. These purchases totaled about \$61,000.

We provided SSA with four recommendations to address the deficiencies noted. SSA agreed with our recommendations. The recommendations were closed as of December 2010. We plan to initiate a follow-up review of the Agency’s use of purchase cards in FY 2014. See Appendix D for information regarding the recommendations.

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<sup>10</sup> Pub. L. No. 112-194 § 2, 126 Stat. 1446 (2012)

<sup>11</sup> OMB, A-123, App. B, 3.4 (Revised January 2009).

<sup>12</sup> SSA’s *Purchase Card Management Plan*, 3.1 (2013).

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

## Travel Card Assessment

To assess the risk of illegal, improper, and erroneous purchases made through SSA's travel card program, we reviewed SSA's policies and procedures, additional internal controls, delinquent accounts, and disciplinary actions. SSA has policies, procedures, and additional internal controls designed to reduce the risk of illegal, improper, and erroneous purchases made through its travel card program, including its CBAs. We will initiate an audit of the Agency's travel card program in FY 2014.

### *Policies and Procedures*

SSA has policies and procedures in place to address applicable requirements identified in the Act regarding travel cards and CBAs (see Appendix C for Act requirements). Many of the requirements in the Act are documented in SSA's 2013 Travel Card Management Plan. As required by OMB Circular A-123, Appendix B,<sup>14</sup> this Plan outlines the Agency's policies and procedures critical to assuring that a system of internal controls is followed, and to minimize the potential for fraud, misuse, and delinquency. One requirement of the Act calls for agencies to have "... policies to ensure its contractual arrangement with each travel charge card issuing contractor contains a requirement that the creditworthiness of an individual be evaluated before the individual is issued a travel charge card . . ."<sup>15</sup> Through our review of SSA's 2013 Travel Card Management Plan and discussions with SSA staff, we determined the Agency was complying with this requirement. SSA's policy states, "The employee has the right to either consent or not consent to a credit check. If the employee consents, he/she will complete the consent application provided by our contractor bank, Citibank. Citibank will then perform the credit check. If the employee scores 660 or above, he/she receives a standard agency travel card. If the employee scores below 660, a Level 1 Agency Program Coordinator notifies the employee via email. He/she receives a restricted travel card."<sup>16</sup>

SSA also has policy and procedure-related information on OFPO's Intranet site and Administrative Instructions Manual System<sup>17</sup> that provide internal controls designed to reduce the risk of illegal, improper, or erroneous purchases occurring in the Agency's travel charge card program.

The Act also requires that agencies "... ensure that officials with the authority to approve official travel verify that CBA charges are not reimbursed to an employee."<sup>18</sup> The Agency's CBA is used to pay air or rail transportation fares. Examples of situations in which an SSA

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<sup>14</sup> OMB, A-123, App. B, 2.2 (Revised January 2009).

<sup>15</sup> Pub. L. No. 112-194 § 3, 126 Stat. 1449 (2012). OMB, A-123, App. B, 6., supra, also requires assessment of the credit worthiness of all new travel charge applicants prior to issuing the card.

<sup>16</sup> SSA's *Travel Card Management Plan*, 2.2 (2013).

<sup>17</sup> SSA, AIMS, FMM 07.32.00 (June 2010) and 07.08.00 (November 2010).

<sup>18</sup> Pub. L. No. 112-194 § 4, 126 Stat. 1450 (2012).

employee will use the CBA are when he/she has not received the requested travel card in time to make reservations, is granted an exception from the travel card program, needs to secure a special fare in advance of travel, or is traveling on international travel. Policy states, “When a ticket is charged to the CBA, the traveler does not incur the expense, nor should the traveler be reimbursed for it on the travel voucher.”<sup>19</sup>

On November 20, 2013, we discussed with OFPO staff situations where SSA reimbursed employees for travel costs billed to the CBA. According to staff, such occurrences were rare. OFPO staff explained these instances typically occur with new employees and those less experienced with Government travel. In these situations, staff explained employees were required to reimburse the Agency for the ticket cost.

### *Additional Internal Controls*

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

For example, SSA policy places restrictions on automated teller machine (ATM) withdrawals. Travel cardholders may only withdraw 13 percent of their credit limit in cash per month or 30 percent of their credit limit if the card is restricted. These withdrawals are further limited in that the total amount of ATM withdrawals in 1 day cannot exceed \$400, and the total amount of ATM withdrawals in 1 week cannot exceed \$600.<sup>20</sup>

OMB Circular A-123, Appendix B, recommends agencies keep current on new and innovative solutions to detect and prevent misuse and fraud, such as restricting travel card spending limits during expected periods of inactivity.<sup>21</sup> SSA policy states, “Some components/regions within the agency reduce the credit limit of cardholders who are not in travel status to \$1, which makes it impossible for cardholders to misuse their cards.”<sup>22</sup> Based on data provided by OFPO staff, we determined there were 10,816 travel cardholders whose credit limits had been reduced to \$1 as of October 28, 2013.

### *Delinquent Accounts and Disciplinary Actions*

We obtained and reviewed information regarding delinquent travel card accounts and disciplinary actions against travel cardholders for the period October 1, 2011 through June 30, 2013. Staff reported there were delinquent travel card accounts each month. Over the

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<sup>19</sup> SSA’s *Travel Update Special Edition E2 Solutions*, page 3 (March 2009).

<sup>20</sup> SSA’s *Travel Card Management Plan*, 4.5 (2013).

<sup>21</sup> OMB, A-123, App. B, Attachment 5 (Revised January 2009).

<sup>22</sup> SSA’s *Travel Card Management Plan*, 4.5 (2013).

21-month period, the number of delinquent travel card accounts ranged from 3 to 112, with the highest number occurring in January 2013.<sup>23</sup> The highest occurrence of delinquency represents only 0.47 percent of the total number of travel card accounts. In its 2013 Travel Card Management Plan, SSA reports, “The agency has an outstanding delinquency rate, consistently one of the lowest delinquency percentages in Government . . .”<sup>24</sup> Agency policy also states CBAs are certified and paid in full within 30 days. Therefore, there are no occurrences of delinquency for those accounts.<sup>25</sup>

During our review period, SSA staff reported 42 disciplinary actions against employees for inappropriate use<sup>26</sup> of the travel card: suspended 24, reprimanded 9, counseled 6, terminated/removed 2, and demoted 1. Also, two employees resigned with disciplinary actions pending.

Our Office of Investigations reported no investigative cases for alleged travel card or CBA misuse for the period October 1, 2011 through June 30, 2013. We intend to initiate an audit of the travel card program in FY 2014. During that audit, we will apply fieldwork standards for performance audits, including those pertaining to assessing risk.

## CONCLUSIONS

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

For the period October 1, 2011 through June 30, 2013, the Agency reported there were no delinquent accounts or disciplinary actions pertaining to the misuse of purchase cards. Although we identified deficiencies during our prior audit of the purchase card program, the Agency reported taking action to resolve the deficiencies.<sup>27</sup> We believe this demonstrates the Agency has a process in place to minimize the risk of misuse of its purchase charge cards. Therefore, we assess the risk of illegal, improper, and erroneous purchases made through SSA’s purchase card program as “low.”

For the same period, the Agency reported there were delinquent travel card accounts, ranging between 3 and 112, each month. In addition, staff reported disciplinary actions against

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<sup>23</sup> Information provided by the Agency did not provide detail data allowing us to determine the specific number of days accounts were delinquent. The information listed account delinquencies at least 30 days past due.

<sup>24</sup> SSA’s *Travel Card Management Plan*, 8 (2013).

<sup>25</sup> Id. Section 4.2.

<sup>26</sup> Inappropriate use of the travel card includes misuse, unauthorized use, delinquent payments, and inadvertent use.

<sup>27</sup> SSA OIG, *The Social Security Administration’s Government Purchase Card Program* (A-13-09-29027), March 25, 2010.

42 employees for inappropriate use of their travel card during the period of October 1, 2011 through June 30, 2013. We will initiate an audit of SSA's travel card program in FY 2014.

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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To accomplish our objective, we:

- Reviewed the *Government Charge Card Abuse Prevention Act of 2012*.<sup>1</sup>
- Reviewed Office of Management and Budget Circular A-123, Appendix B- *Improving the Management of Government Charge Card Programs*. (Revised January 2009).
- Reviewed Social Security Administration (SSA) policies and procedures related to charge cards.
- Reviewed prior Office of the Inspector General reports.
- Obtained and reviewed SSA's Annual Charge Card Management Plans for 2012 and 2013.
- Obtained and reviewed reports on delinquent charge card accounts for the period October 1, 2011 through June 30, 2013.
- Obtained statistics on disciplinary actions against SSA employees for misuse of charge cards for the period October 1, 2011 through June 30, 2013.
- Interviewed SSA representatives from the Offices of Acquisition and Grants and Financial Policy and Operations.
- Obtained information about purchase and travel card misuse from the Office of the Inspector General, Office of Investigations.

The principle internal controls reviewed pertained to activities of the Office of the Deputy Commissioner for Budget, Finance, Quality and Management. We conducted our risk assessment in Baltimore, Maryland, from September through November 2013. We did not validate computerized data used for our assessment; however, we determined the data were sufficiently reliable given our objective, and the intended use of the data should not lead to incorrect or unintentional conclusions. We conducted our assessment in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

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

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

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

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

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

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

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

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The *Government Charge Card Abuse Prevention Act of 2012*<sup>1</sup> requires that executive agencies that have employees who use travel charge cards and centrally billed accounts establish internal control activities to ensure their proper, efficient, and effective use as stated below.

### **Travel Cards**

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

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

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

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

## **Centrally Billed Accounts**

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

## **Appendix D– STATUS OF THE SOCIAL SECURITY ADMINISTRATION’S CORRECTIVE ACTION ON PRIOR RECOMMENDATIONS**

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The *Government Charge Card Abuse Prevention Act of 2012*<sup>1</sup> states Offices of Inspector General will report to the Director of the Office of Management and Budget 120 days after the end of each fiscal year on agency progress in implementing audit recommendations, beginning with the Fiscal Year 2013 submission due by January 31, 2014.

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

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

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

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<sup>1</sup> Pub. L. No. 112-194 §§ 2-4, 126 Stat. 1447 and 1450 (2012).

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

## **Response to Recommendations**

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

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

SSA considered all four recommendations closed and implemented as of December 2010.

## **Appendix E – MAJOR CONTRIBUTORS**

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Shirley E. Todd, Director, Evaluation Division

Florence Wolford, Audit Manager

Nicole Gordon, Auditor-In-Charge

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