



FISCAL YEAR 2013 RISK ASSESSMENT OF DEPARTMENT OF JUSTICE CHARGE CARD PROGRAMS

U.S. Department of Justice
Office of the Inspector General

Report 14-34
September 2014

FISCAL YEAR 2013 RISK ASSESSMENT OF DEPARTMENT OF JUSTICE CHARGE CARD PROGRAMS

EXECUTIVE SUMMARY

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires that Inspectors General conduct periodic assessments of charge card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments.¹ Generally, the Department of Justice Office of the Inspector General's (OIG) review found that these risks, particularly regarding liability for costs resulting from employee misuse, are higher to the Department of Justice (Department or DOJ) for charge cards that are centrally-billed to the Department, and relatively lower for charge card products that are billed to individual cardholders. Our review also identified specific areas relating to charge cards where we believe the Department should take action to reduce its risks of illegal, improper, or erroneous purchases and payments, including cardholder misuse.

To perform this assessment, we reviewed Department of Justice (DOJ or Department) policies and procedures, as well as sample transactions, relating to four different types of charge card purchasing methods covered by this report: (1) purchase cards, which are generally centrally billed accounts used to buy items and services; (2) travel cards, which are usually individually billed accounts used by employees to pay for costs associated with official travel; (3) integrated cards, which can be a combination of charge card types (purchase and travel) in a single account; and (4) convenience checks, which can be written from specially-designated purchase or integrated card accounts to pay for goods and services from vendors that do not accept charge cards.

We found that in fiscal year (FY) 2013, the Department's 47,000 active purchase, integrated, and travel charge card accounts processed more than \$900 million in procurement. Purchase cards accounted for about \$700 million (75 percent) of the total dollar amount; travel cards accounted for more than 33,000 (70 percent) of the total number of active charge card accounts.

Regarding centrally-billed purchase, travel, and integrated cards, our testing did not reveal specific instances of misuse. However, we identified more than 640 purchase, travel, and integrated card accounts that had recorded no charges for at least 180 days and therefore should be suspended or closed. DOJ has closed most of the inactive purchase card accounts and the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) told us that it reviewed the inactive integrated card accounts and suspended or closed those that were unnecessary. We also found that the Department's efforts to ensure regular reconciliations of purchase cards could be improved, as could its efforts to ensure proper training regarding integrated and travel card accounts. With respect to the purchasing methods included in this assessment, centrally-billed card accounts present a relatively moderate risk for misuse that we believe will be largely mitigated once corrective action is taken to address the issues raised in this risk assessment.

¹ Pub. L. No. 112-194 (2012).

Regarding individually-billed travel card accounts, although we identified specific areas in which management and oversight can be improved – including travel card transactions that occurred when employees were not on official travel status – we determined the overall risk to the Department of illegal, improper, or erroneous transactions to be low because, for these accounts, the individual card holder, not the government, is liable to pay balances in full and on time.

While we believe convenience checks are the charge card purchasing method that presents the highest risk of misuse, we also note that they are much less frequently used than the other methods we examined: in FY 2013, Department employees wrote 1,000 such checks for a total of just over \$500,000. Nevertheless, our review tested 50 high-dollar convenience checks with a total value of over \$132,000 and identified a total of 6 checks valued at \$11,679 that were either unallowable or unsupported because the employee wrote a check to a vendor that accepted charge cards; the employee converted a check to cash; or the employee's component could not provide an invoice or evidence of prior supervisory approval, as applicable, to use a convenience check to make a purchase.

Finally, we found that the risks to the Department are concentrated in employee misuse, and not in fraudulent transactions. This is because the servicing bank, and not the government, is liable to pay for fraudulent transactions.

Our report contains detailed information on the results of our risk assessment, and provides four recommendations to the Department's Justice Management Division, ATF, and the Federal Bureau of Investigation to improve internal controls and help reduce the risk of fraud, waste, and misuse associated with charge cards.

**FISCAL YEAR 2013 RISK ASSESSMENT OF
DEPARTMENT OF JUSTICE CHARGE CARD PROGRAMS**

TABLE OF CONTENTS

Introduction	1
DOJ Charge Card Activity and Oversight	1
Risk Assessment Approach	2
Purchase Cards	3
Purchase Card Reconciliations	5
Inactive Purchase Card Accounts	5
Integrated Cards	6
Inactive Integrated Card Accounts	6
Integrated Card Training.....	7
Convenience Checks	7
Travel Cards	8
Former Employees with Active Travel Card Accounts.....	10
Travel Card Misuse	11
Centrally-Billed Travel Card Accounts	11
Travel Card Training.....	12
Conclusions	12
Recommendations	13
APPENDIX I – JUSTICE MANAGEMENT DIVISION RESPONSE TO THE DRAFT REPORT	14
APPENDIX II – FEDERAL BUREAU OF INVESTIGATION RESPONSE TO THE DRAFT REPORT	16
APPENDIX III – BUREAU OF ALCOHOL, TOBACCO, FIREARMS AND EXPLOSIVES RESPONSE TO THE DRAFT REPORT	18
APPENDIX IV – OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT	19

FISCAL YEAR 2013 RISK ASSESSMENT OF DEPARTMENT OF JUSTICE CHARGE CARD PROGRAMS

Introduction

The Department of Justice (DOJ or Department) uses charge cards to procure goods and services. Each DOJ component is responsible for maintaining internal controls that reduce the risk of fraud, waste, and misuse associated with charge cards. The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires that federal agencies establish and maintain specific safeguards and internal controls to improve their charge card and convenience check programs.¹ In addition, the Charge Card Act requires that Inspectors General conduct periodic risk assessments of agency purchase card or convenience check programs, and periodic audits or reviews of travel card programs, to analyze risks of illegal, improper, or erroneous purchases and payments.

The Charge Card Act addresses four primary types of government purchasing methods relating to charge cards covered by this report: (1) purchase cards, which are generally centrally billed accounts used to buy items and services; (2) travel cards, which are usually individually billed accounts used by employees to pay for costs associated with official travel; (3) integrated cards, which can be a combination of charge card types (purchase and travel) in a single account; and (4) convenience checks, which can be written from specially-designated purchase or integrated card accounts to pay for goods and services from vendors that do not accept charge cards.²

DOJ Charge Card Activity and Oversight

At the end of fiscal year (FY) 2013, DOJ had 9,298 active purchase card accounts that reported over \$705 million in activity during the fiscal year. At the same time, DOJ had 33,249 active travel card accounts with over \$194 million in activity and 3,984 active integrated card accounts with over \$38 million in activity. In addition, 85 DOJ employees had the authority to use convenience checks and wrote 1,000 checks valued at more than \$513,000.

Charge card programs require vigilant oversight to ensure the program's integrity, ensure the proper use of charge cards, and reduce the risk of misuse to the agency. Besides the card holders themselves, other employees have been designated important charge card program oversight responsibilities.

¹ Pub. L. No. 112-194 (2012).

² Throughout FY 2013, JPMorgan Chase serviced the charge card program for the Department of Justice.

- **Agency Program Coordinator.** DOJ and each component have at least one agency program coordinator (APC) with the ultimate responsibility of overseeing charge card programs and implementing policies and procedures governing charge card use. APCs maintain access to all activity posted to individual charge card accounts through PaymentNet, an online system provided by the servicing bank. APCs serve as the primary liaison between their component and the charge card servicing bank, and collect and transmit data regarding charge card use to DOJ and component leadership.
- **Travel or Purchase Card Coordinator.** These employees assist the APC by regularly reviewing account activity reports to identify instances of potential purchase or travel card misuse.
- **Approving Officials.** Approving officials are usually supervisors at the office or district level that must authorize charges before they are incurred and review monthly purchase card reconciliations and travel vouchers.

Despite an inherent risk for misuse, charge card programs offer an efficient method to purchase items and make payments. With this understanding, the Federal Acquisition Regulation requires that federal agencies maximize charge card use to the extent practicable.³ The Justice Management Division (JMD), which implements DOJ purchase and travel card policies, has directed that all components try to use charge cards whenever possible in lieu of issuing purchase orders or relying on convenience checks or other third party drafts.

Regardless of the type of purchasing method, the servicing bank, and not the government, is liable to pay for fraudulent transactions. In contrast, the Department's responsibility to pay for charges resulting from employee misuse largely depends on whether a particular account is centrally billed to the Department or individually billed to the cardholder. For centrally billed accounts, which include most purchase cards and some integrated cards, the Department directly pays all charges on the account, even if the charge constituted misuse.⁴ For individually-billed accounts, which include most travel cards and the integrated cards that are not centrally billed, the cardholders are responsible to pay the balance of the accounts when they receive their monthly statements.

Risk Assessment Approach

The objective of this risk assessment of DOJ charge cards was to address the Charge Card Act requirement to analyze the risk of illegal, improper, or erroneous charge card purchases and payments. To conduct our review, we applied the

³ See 48 C.F.R. § 13.003(e) (2014) (pertaining to simplified acquisitions).

⁴ 5 C.F.R. §1315 (2014). Centrally billed accounts are reconciled monthly. The Department seeks to recoup the money of an erroneous or improper charge from card holders. In addition, an employee who abuses charge cards may be disciplined.

internal control assessment framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission.⁵

To perform this assessment, the Department of Justice Office of the Inspector General (OIG) reviewed Department-level policies and procedures in effect throughout FY 2013. When appropriate, we relied upon the results of charge card program reviews that JMD performed as required by the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. We considered other component activity in two specific areas: (1) for integrated cards, we reviewed how the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) managed and used integrated cards because it is the only DOJ component to use integrated cards; and (2) for convenience checks, we assessed ATF and the Federal Bureau of Investigation (FBI) activity because these two components were responsible for issuing over 99 percent of convenience checks during FY 2013.

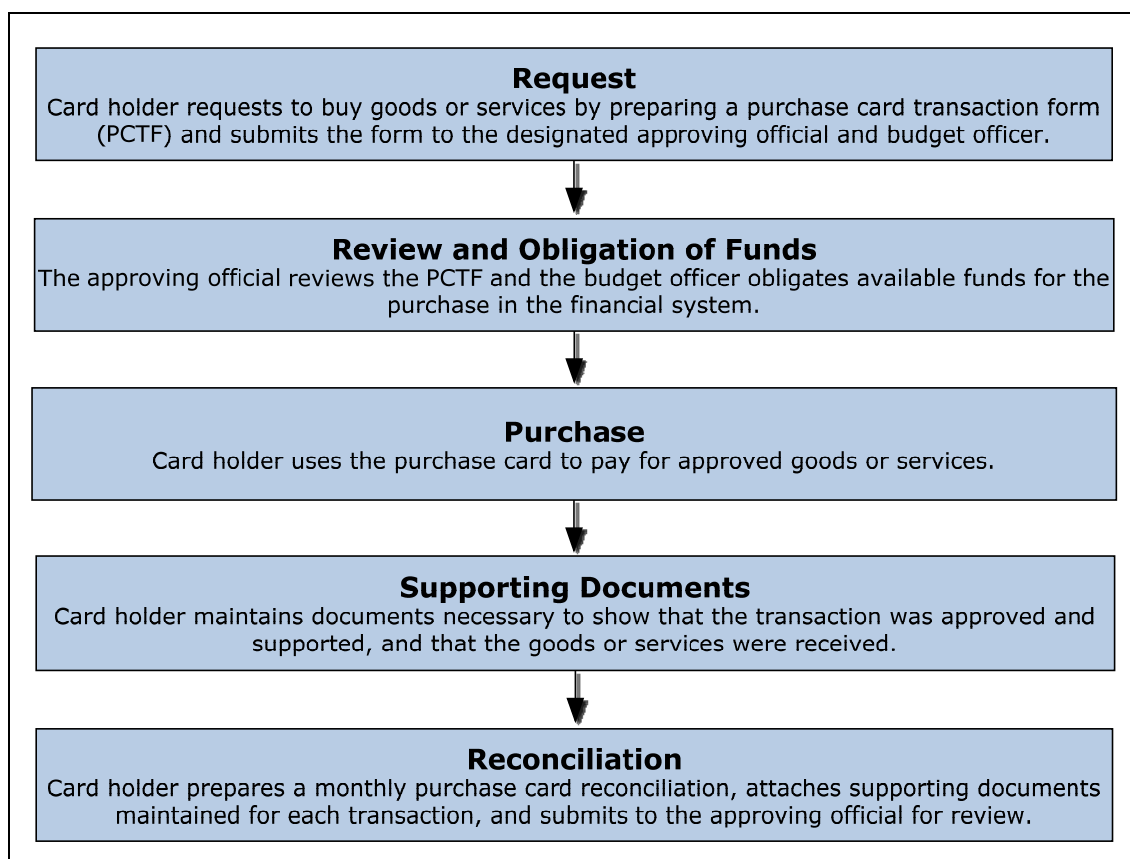
Using the criteria identified in the Charge Card Act, we assessed activity to determine whether safeguards and internal controls were present and functioned as intended. In addition, we reviewed the annual purchase and travel card audit status report to OMB to determine the impact of prior audit findings on DOJ charge card programs.

Purchase Cards

Purchase cards are a primary procurement method DOJ uses to acquire goods and services. Each DOJ purchase card account has a single transaction limit (usually \$3,000 for goods and \$2,500 for services) and monthly purchase limits. Generally, purchase card accounts are centrally billed and a component pays account balances automatically. Exhibit 1 outlines the general steps that JMD purchase card account guidelines state need to be performed for every purchase card transaction.

⁵ Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control – Integrated Framework* (May 2013). COSO is a joint initiative of five private sector organizations and is dedicated to providing leadership through the development of frameworks and guidance on enterprise risk management, internal control, and fraud deterrence.

EXHIBIT 1: PURCHASE CARD TRANSACTION STEPS



Source: OIG summary of JMD purchase card policies

Each purchase must be approved by an approving official and obligated by a budget officer before the card holder can use a purchase card to buy a needed good or service. Department-level charge card policies state that purchase card holders may be held personally liable for purchase card misuse.

For this portion of our assessment, we reviewed guidelines and procedures effective as of the end of FY 2013 and the results of JMD's internal control assessment performed in accordance with OMB Circular A-123. We also analyzed a universe of nearly 300,000 purchase card transactions (all DOJ purchase card activity between June 1, 2013, and September 30, 2013) and scored and ranked transactions to identify those with elements indicative of being illegal, improper, or erroneous.⁶

Our analysis and scoring of purchase card transactions identified 84 transactions across the Department most at risk of being illegal, improper, or

⁶ The scoring system methodology added a point to each transaction with the following elements: (1) having a suspicious merchant name or merchant category code; (2) processed using a mobile payment system, such as Square; (3) occurring on only one purchase card using a mobile payment system; (4) occurring on a weekend; (5) made using a convenience check; (6) constituted a cash advance; (7) exceeded the account's single purchase limit; (8) totaled an even-dollar amount.

erroneous and therefore meriting further review. We contacted component-level APCs and requested the supporting documents related to the identified transactions. The APCs provided supporting documents showing that the transactions were appropriate and received the required prior approval, and that card holders complied with transaction and billing limits and reconciled statements as required.

Purchase Card Reconciliations

Purchase card statements must be reconciled by the card holder and reviewed by the approving official before the end of each month. An adequate reconciliation includes a line-by-line review of all transactions on the monthly statement. Each transaction must be supported by, as applicable, the purchase card transaction form showing prior approval and obligation of funds needed to pay for the purchase, a receiving report, and the invoice. Approving officials are responsible for maintaining reconciled monthly statements. As part of the OMB Circular A-123 review, JMD found that purchase card holders did not always perform or approving officials did not review and maintain monthly reconciliations.⁷

Because components automatically pay outstanding purchase card balances, card holders and approving officials need to reconcile and review monthly statements carefully to ensure that the Department only pays for goods and services actually received. We recommend that JMD periodically issue reminders to both purchase card holders and approving officials regarding the importance of performing and reviewing monthly reconciliations for every active account. These reminders should reiterate that purchase card holders and approving officials can be held personally liable for improper purchases.

Inactive Purchase Card Accounts

Inactive purchase card accounts that remain open for an extended period of time are susceptible to an increased risk of potential loss or misuse. We reviewed account activity to identify specific inactive accounts.

Our sample of purchase card account activity identified more than 200 DOJ purchase card accounts inactive for either more than 180 days or 365 days.⁸ We note, however, that our sample covered the time period during the 2013 federal budget sequestration, which likely limited purchase card activity across the Department and increased the number of inactive accounts.

⁷ The results of JMD's review of its purchase card reconciliations align with the findings of two previous OIG audit reports that identified instances in which approving officials at another DOJ component did not review card holder reconciliations. U.S. Department of Justice Office of the Inspector General, *Audit of the Financial Management of the United States Marshals Service's Office in the Superior Court of the District of Columbia*, Audit Report 13-24 (June 2013) and *Audit of the United States Marshals Service's Procurement Activities*, Audit Report 13-05 (December 2012).

⁸ Depending on the component, a purchase card account is considered inactive if the account has remained unused for either more than 180 days or more than 365 days. Our testing applied the same baseline of inactivity that the specific component used to define an inactive account.

Additionally, since the time of our review, DOJ components have closed most of the inactive accounts we identified, as required by the DOJ Charge Card Management Plan.⁹

Among the more than 200 inactive purchase card accounts we identified were 6 non-JMD accounts that were unused because the card holder was no longer an employee or was on extended leave. Although DOJ has since closed these six accounts, we recommend that JMD update the DOJ Charge Card Management Plan to ensure that the appropriate purchase card APCs receive notification when an employee with a purchase card leaves employment and promptly cancels all associated purchase card accounts.

Integrated Cards

ATF uses integrated cards, which can be used for different types of transactions (such as purchases or travel) depending on the designation of the account. ATF policies and procedures delineate the types of purchases card holders may make based on that employee's official duties. Integrated cards may be individually billed to the card holder or centrally billed to the agency, depending on the merchant category code of the purchase. Regardless of whether the account is individually or centrally billed, the card holders are individually responsible for all transactions appearing on their account.

Similar to our assessment of purchase cards, we reviewed ATF integrated card use guidelines and procedures in effect during FY 2013. We also considered the results of JMD's internal control review of ATF's integrated cards performed in accordance with OMB Circular A-123. To a universe of over 376,000 integrated card transactions, we applied the same methodology we used for the purchase card review to score and rank transactions with elements indicative of being illegal, improper, or erroneous. Although we did not identify any specific transaction to be at exceptionally high risk, we judgmentally sampled transactions in the five integrated card accounts that recorded the most activity and determined that the card holders received the required prior approval and complied with transaction and billing limits and reconciled statements as required.

Inactive Integrated Card Accounts

ATF's Card Services Unit (CSU) assesses the appropriateness of card holder limits and opens, suspends, and cancels integrated card accounts. In February 2013, CSU began receiving notices from PaymentNet regarding accounts with no transaction activity for 180 days. Upon receiving this notification, CSU officials told us that they follow up with the card holder to determine why there has been no account activity and, depending on the reason provided, CSU suspends or closes the account.

⁹ The 2014 DOJ Charge Card Management Plan requires accounts that have been inactive for more than 365 days to be cancelled unless there is a business need to maintain the account and it remains in suspended status. The final decision is made by the APC.

During our review of ATF integrated card accounts, we identified more than 400 accounts with more than 180 days of inactivity. We brought this issue to the attention of CSU officials who stated that these accounts may have been inactive before the notification process began in February 2013. Because the system did not retroactively notify CSU regarding accounts with more than 180 days of inactivity, CSU was not aware of the status of these accounts.

While we confirmed that the 400 inactive accounts had no outstanding balances, we believe that accounts that remain inactive for extended periods of time present an increased risk of being misused. CSU officials told us that they have reviewed the accounts and suspended or closed those that it deemed unnecessary.

Integrated Card Training

ATF policies require that new card holders complete a charge card training course within 60 days after being issued a card. In addition, current integrated account holders must complete a refresher training course every 3 years. ATF's Financial Management Division (FMD) is responsible for tracking the training status of each ATF employee. LearnATF, the electronic training system used by ATF, can be programmed to prompt card holders to take refresher training through e-mail alerts. Using this method, the card holders and their supervisor will continue to receive notifications until the training is completed.

When ATF conducted its FY 2013 OMB Circular A-123 review, it found that 4 out of 30 tested integrated card holders did not take the required training or could not provide evidence they received the training. In response, ATF stated that it would suspend accounts of employees who did not take the required training. We believe that ATF's plan to suspend these accounts constitutes an important step towards mitigating the risk of integrated card misuse.

Convenience Checks

Convenience checks provide a method by which specially designated card holders may procure goods and services from merchants who do not accept charge cards. The servicing bank issues convenience checks to designated card holders, who individually maintain them and use them to make purchases. However, because convenience checks lack many of the internal controls usually associated with charge cards and incur additional fees (usually equal to 2 percent of the purchase amount), Department-level guidance states that convenience checks should only be used as a payment method of last resort. APCs designate the card holders who may write convenience checks on an employee-by-employee basis and only 85 DOJ employees have been granted the authority to write convenience checks.

During FY 2013, DOJ issued a total of 1,000 convenience checks – 719 at ATF, 277 at the FBI, and 4 at other DOJ components. The combined value of these checks was over \$513,000. Because of the concentration of convenience checks

usage at ATF and the FBI, we concentrated our testing on these two components. We judgmentally sampled 50 high-dollar convenience checks (25 from each) to ascertain whether the checks complied with established policies governing their use and were properly approved and reconciled to monthly purchase card or integrated account statements. The sampled checks had a total value of over \$132,000, or 25 percent of the value of all convenience checks written during FY 2013.

According to FBI and ATF policy, convenience checks may not be used to obtain cash, pay fines or penalties, reimburse employees, purchase goods and services that could be obtained with a purchase card, or circumvent procurement controls (such as making split purchases to bypass individual transaction limits). Nevertheless, we sampled 50 convenience checks and identified:

- 1 ATF convenience check with a total value of \$2,000 written to a vendor who, at the time of purchase, did not accept the charge card as payment;
- 4 ATF convenience checks totaling \$8,668 that lacked supporting documents evidencing items or services purchased and required CSU approvals;
- 1 FBI convenience check for \$1,011 to an employee who converted the funds to cash to pay a speaker fee to a covert individual.¹⁰

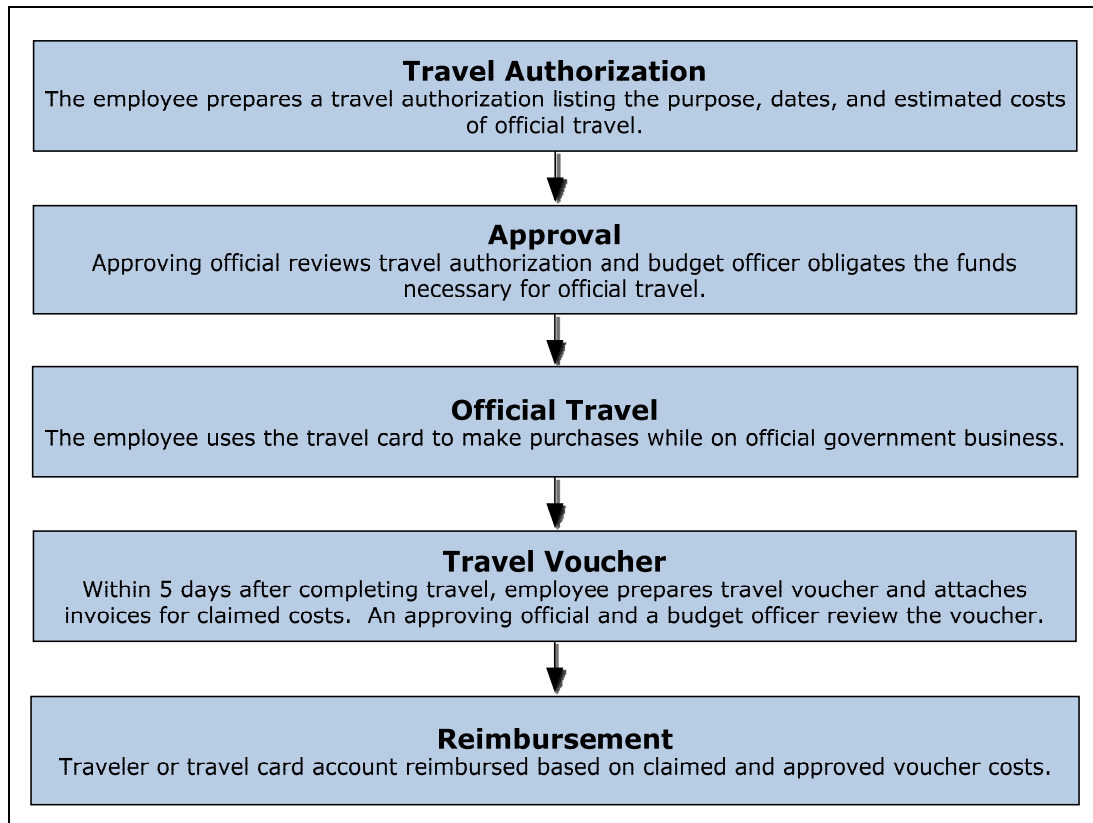
Considering these issues, we reviewed how the FBI and ATF implemented their convenience check guidelines and procedures. At ATF, a card holder must first justify in writing that the particular vendor does not accept charge cards for payment, and the card holder's supervisor then reviews and approves the justification prior to purchase. At the FBI, designated officials review convenience checks after the purchase as part of the monthly reconciliation review. In addition, the FBI centrally performs a quarterly review of all convenience check activity. Under either approach, we believe that individual card holders and their approving officials would benefit from periodic reminders of convenience check rules. We therefore recommend that the FBI and ATF ensure that card holders authorized to write convenience checks and their approving officials are aware and periodically reminded of convenience check restrictions and approval requirements.

Travel Cards

DOJ components provide travel cards to employees who expect to incur official travel expenses such as transportation and lodging. Most of the travel cards we reviewed had a billing cycle limit of \$15,000. Unlike purchase cards, most DOJ travel card accounts are individually billed to, and must be paid by, the card holder. As shown in Exhibit 2, employees receive reimbursement for authorized expenses only after preparing and submitting a travel voucher following official travel.

¹⁰ The FBI provided to us an analysis of its Draft System User Guide to show that this policy did not permit another method in which to pay the fee to the covert individual because the individual was not associated with a particular undercover operation. The FBI told us that it plans to revisit its policies to provide more specific guidance that addresses this type of scenario.

EXHIBIT 2: TRAVEL CARD TRANSACTION STEPS



Source: OIG summary of JMD travel card policies

All travel costs must be estimated, approved, and obligated before an employee begins official travel. Employees have 5 days after a trip ends to submit a voucher detailing actual costs for reimbursement. Employees must pay off travel card account balances within 25 days from their statement closing date regardless of whether they have been reimbursed for travel expenses. Although DOJ maintains no liability for costs stemming from employee travel card misuse and the servicing bank is responsible for fraudulent charges not made by the travel card holder, employees may not use their travel card to make purchases unassociated with official travel. Employees intentionally misusing travel cards may be subject to disciplinary action up to and including dismissal.

We reviewed travel card guidelines and procedures in effect at the end of FY 2013 that govern how employees at JMD and the Department's Offices, Boards,

and Divisions (OBD) should use travel cards.¹¹ We also considered the results of JMD's internal control review of travel cards it performed in accordance with OMB Circular A-123. In addition, we analyzed a universe of over 300,000 JMD and OBD travel card transactions during FY 2013 and, applying the same methodology we applied to purchase card transactions, scored and ranked those travel card purchases based on transaction elements that increased the risk of a transaction being illegal, improper, or erroneous. We also reviewed account level activity to identify accounts that were inactive for over 180 days at the time of our review.

Former Employees with Active Travel Card Accounts

Department-level travel card guidelines require that component-level travel card coordinators cancel travel card accounts whenever an employee leaves government service. Out of more than 30,000 active travel card accounts, we identified 42 active travel card accounts that belonged to former employees. Among these accounts, the period of time between the card holder separation date and the date of our testing (June 24, 2014) ranged from 267 days to 613 days. Although we did not identify activity on these active accounts following separation, we found five accounts with unpaid balances ranging from \$7 to \$1,227.

JMD officials told us that travel card coordinators might not always be notified when a card holder leaves employment. Although liability for travel card charges ultimately falls to the card holder or the servicing bank, not the Department, active travel card accounts of separated employees nevertheless increase the risk of travel card misuse. We therefore believe that a stronger, department-wide control is necessary to ensure the closure of travel card accounts associated with separated employees. As part of our similar recommendation above regarding purchase card accounts associated with separated employees, we also recommend that JMD update the DOJ Charge Card Management Plan to ensure that travel card coordinators receive notification when an employee with a travel card leaves employment and promptly cancel all associated travel card accounts.

¹¹ The term OBD includes the: Office of the Attorney General, Office of the Deputy Attorney General, Office of the Associate Attorney General, Community Relations Service, Executive Office for Immigration Review, Executive Office for U.S. Attorneys, Executive Office for U.S. Trustees, Executive Office for Organized Crime Drug Enforcement Task Forces, Office of Community Oriented Policing Services, Office of Information Policy, Office of Legal Counsel, Office of Legal Policy, Office of Legislative Affairs, Office of Professional Responsibility, Office of Public Affairs, Office of the Inspector General, Office of the Pardon Attorney, Office of the Solicitor General, Office of Tribal Justice, Office on Violence Against Women, Professional Responsibility Advisory Office, and U.S. National Central Bureau (INTERPOL Washington).

We excluded the Office of the Inspector General as a part of our assessment of JMD and OBD travel card risk.

Travel Card Misuse

Our scoring and ranking of over 300,000 travel card transactions identified 412 potentially questionable charges totaling \$93,351.¹² From this population, we judgmentally selected a sample of 35 transactions with a value of \$10,730 based on high-dollar amounts and vendor descriptions. Based on our review of documents provided by components regarding these charges, we identified the following seven transactions totaling \$1,196, each of which related to expenses incurred by employees who were not in official travel status at the time of the charge.

EXHIBIT 3: TRAVEL CARD TRANSACTIONS FOR EMPLOYEES NOT ON OFFICIAL TRAVEL

Transaction Date	Description	Amount (\$)
10/20/2013	Cash advance	282
4/13/2013	Restaurant	196
1/26/2013	Restaurant	186
11/17/2012	Dry cleaning	170
2/16/2013	Cash advance	142
9/1/2013	Restaurant	110
8/24/2013	Restaurant	110
Total		\$1,196

Source: OIG analysis of travel card activity

We confirmed that the charges listed above have been paid in full. Department officials also told us that at least three of the transactions listed in Exhibit 3 had been identified by travel card coordinators and supervisors before we notified them of the questionable charge, and that all employees who knowingly made the above transactions outside of travel status have been counseled or otherwise disciplined.

Centrally-Billed Travel Card Accounts

A subset of travel card accounts is referred to Government Transportation Accounts (GTA) and is centrally billed, documented, and paid like purchase cards. DOJ components establish GTAs to pay for travel expenses incurred by non-Department employees or employees who do not have a travel card. Examples of individuals we found whose travel costs are paid with GTAs include witnesses, guest speakers, and new employees.

Each component's APC is responsible for overseeing and assigning GTA account access. The travel card coordinator must reconcile GTA charges each billing cycle. We reviewed GTA activity and sampled 10 high-dollar transactions based on merchant description and found that all sampled transactions were supported and allowable. We did not identify any GTA activity associated with employees assigned an individually billed travel card.

¹² We focused our review on charges that were greater than \$75 because travelers are not required to attach to the travel voucher invoices for most claimed expenses that are less than \$75.

Travel Card Training

DOJ's charge card management plan requires that employees receive travel card training that outlines the proper use of travel cards before they obtain a travel card. In addition, the plan states that all card holders should receive a refresher training session every 3 years. The web-based training provided to card holders instructs employees on the proper use of travel cards, underscores their individual liability for improper travel card use, outlines what constitutes an unallowable expense, and explains how to dispute a fraudulent or incorrect charge with the servicing bank. After completing training, employees must certify to their APC that they received the required training.

We selected a judgmental sample of 20 card holders from the travel card accounts that our testing found included charges that may be indicative of misuse. From each travel card holder, we requested copies of their travel card training certificates from the components. Of the 20 sampled travel card holders, 17 either did not take or their components were not able to provide evidence that they received the required training prior to receiving their travel cards. Some employees told us that they did not know they needed to take the training while others stated that they remembered receiving training sometime after new employee orientation.

We believe that components must ensure that employees certify that they have received training regarding the proper use of travel cards and track these certifications. We therefore recommend that JMD work with other DOJ components to implement a process that ensures component APCs receive and track all travel card training certifications so they can identify and prompt card holders due to receive required travel card refresher training.

Conclusions

Our testing did not identify illegal, improper, or erroneous transactions pertaining to centrally-billed purchase, integrated, and travel card accounts. We identified numerous open accounts that had been inactive for a significant period of time, but DOJ has closed the inactive purchase card accounts and ATF told us that it is working to close inactive integrated card accounts. The relatively moderate risk of misuse regarding centrally-billed purchase and integrated card accounts will be largely mitigated once JMD ensures that card holders perform and supervisors review monthly reconciliations, and both JMD and ATF improve their respective tracking of purchase and integrated card training.

Our testing of convenience checks identified several instances in which card holders did not use convenience checks properly or maintain required supporting documents. Based on these results, we believe that convenience checks present a higher risk of misuse than purchase or integrated cards and that the Department should periodically remind card holders with the authority to write convenience checks of the policies governing their use.

ATF officials told us that they have reviewed and suspended or closed unnecessary inactive accounts. With regard to individually billed travel cards, although we identified specific areas in which the management and oversight of travel card accounts can be improved – including travel card transactions that occurred when employees were not on official travel status – we determined the overall risk to the Department of illegal, improper, or erroneous transactions to be low because the individual card holder, and not the government, is liable to pay balances in full and on time.

Recommendations

We recommend that JMD:

1. Periodically issue reminders to both purchase card holders and approving officials regarding the importance of performing and reviewing monthly reconciliations for every active account.
2. Update the DOJ Charge Card Management Plan to ensure that appropriate purchase card APCs and travel card coordinators receive notification when an employee with a charge card leaves employment and promptly cancel all associated charge card accounts.
3. Work with other DOJ components to implement a process that ensures component APCs receive and track all travel card training certifications so they can identify and prompt card holders due to receive required travel card refresher training.

We recommend that the FBI and ATF:

4. Ensure that card holders authorized to write convenience checks and their approving officials are aware and periodically reminded of convenience check restrictions and approval requirements.

JUSTICE MANAGEMENT DIVISION
RESPONSE TO THE DRAFT REPORT




U.S. Department of Justice

SEP 22 2014

Washington, D.C. 20530

MEMORANDUM FOR RAYMOND J. BEAUDET
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Lee J. Lofthus 
Assistant Attorney General
for Administration

SUBJECT: Justice Management Division Response to the Office of the Inspector
General Draft Report: Fiscal Year 2013 Risk Assessment of Department
of Justice Charge Card Programs

This responds to the Office of the Inspector General (OIG) draft report: Fiscal Year 2013 Risk Assessment of Department of Justice Charge Card Programs.

The Justice Management Division (JMD) has reviewed the draft OIG report and provides the following responses to the OIG's three recommendations to the JMD.

Recommendation 1: Periodically issue reminders to both purchase card holders and approving officials regarding the importance of performing and reviewing monthly reconciliations for every active account.

Response: The JMD concurs with the recommendation. During Fiscal Year (FY) 2015, JMD will send periodic reminders to purchase card holders and approving officials emphasizing the importance of performing and reviewing monthly reconciliations for every active account. JMD considers this recommendation resolved.

Recommendation 2: Update the DOJ Charge Card Management Plan to ensure that appropriate purchase card APCs and travel card coordinators receive notification when an employee with a charge card leaves employment and promptly cancel all associated charge card accounts.

Response: The JMD concurs with the recommendation. During FY 2015, JMD will update the Charge Card Management Plan and work with components to determine appropriate notifications to APCs and travel card coordinators when an employee with a charge card leaves employment so all associated charge card accounts can be canceled promptly. JMD considers this recommendation resolved.

Recommendation 3: Work with other DOJ components to implement a process that ensures component APCs receive and track all travel card training certifications and so they can identify and prompt card holders due to receive required travel card refresher training.

Page 2 of 2

Memorandum for the Assistant Inspector General for Audit

Subject: Justice Management Division Response to the Office of the Inspector General Draft

Report: Fiscal Year 2013 Risk Assessment of Department of Justice Charge Card Programs

Response: The JMD concurs with the recommendation. During FY 2015, JMD will work with other DOJ components to ensure travel card holders receive required training and certifications are maintained. JMD considers this recommendation resolved.

If you have questions, please contact me on (202) 514-3101 or have your staff contact Chris Alvarez, Deputy Director, Finance Staff, JMD on (202) 616-5234

FEDERAL BUREAU OF INVESTIGATION
RESPONSE TO THE DRAFT REPORT



U.S. Department of Justice

Federal Bureau of Investigation

Washington, D. C. 20535-0001

September 24, 2014

The Honorable Michael E. Horowitz
Inspector General
Office of the Inspector General
U.S. Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, DC 20530

Dear Mr. Horowitz:

The Federal Bureau of Investigation (FBI) appreciates the opportunity to review and respond to your office's report entitled, *Fiscal Year 2013 Risk Assessment of Department of Justice Charge Card Programs*.

We are pleased you found, "At the FBI, designated officials review convenience checks after the purchase as part of the monthly reconciliation review. In addition, the FBI centrally performs a quarterly review of all convenience check activity."

We agree periodic reminders of convenience checks rules are helpful for cardholders and approving officials. In that regard, we concur with your one recommendation for the FBI.

Should you have any questions, please feel free to contact me. We greatly appreciate the professionalism of your audit staff throughout this matter.

Sincerely,

A handwritten signature in blue ink that reads "Laura R. Ingber".

Laura R. Ingber
Section Chief
External Audit and Compliance Section
Inspection Division

**The Federal Bureau of Investigation's (FBI) Response to the
Office of the Inspector General's Audit of the Fiscal Year 2013 Risk Assessment of
Department of Justice Charge Card Programs
Response to Report Recommendations**

Report Recommendation #4: "Ensure that card holders authorized to write convenience checks and their approving officials are aware and periodically reminded of convenience check restrictions and approval requirements."

FBI Response to Recommendation #4: Concur. The FBI will provide notice to authorized convenience check holders and their certifying officers (i.e. approving officials) to provide increased awareness and periodically remind them of convenience check restrictions and approval requirements.

**BUREAU OF ALCOHOL, TOBACCO, FIREARMS
AND EXPLOSIVES RESPONSE TO DRAFT REPORT**



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives

Assistant Director

Washington, DC 20536
www.atf.gov

SEP 19 2014

MEMORANDUM TO: Raymond J. Beaudet
Assistant Inspector General for Audit

FROM: Mark W. Potter *MW Potter*
Assistant Director, Office of Management

SUBJECT: ATF's Response to the Office of Inspector General's (OIG)
Review of the Fiscal Year 2013 Risk Assessment of Department of
Justice Charge Card Programs

This memorandum is to provide the Bureau of Alcohol, Tobacco, Firearms and Explosives response to the Office of Inspector General's recommendations regarding the review of the Department of Justice (DOJ) Charge Card Programs. The objective of this memorandum is to provide a response to recommendation four that affects ATF.

Recommendation #4

Ensure that card holders authorized to write convenience checks and their approving officials are aware and periodically reminded of convenience check restrictions and approval requirements.

ATF Response

ATF agrees with this recommendation. ATF currently has a directive in place which ensures that card holders who are authorized to write convenience checks and their approving officials are aware and periodically reminded of convenience check restrictions and approval requirements. Finally, ATF offers periodic training in convenience check restrictions and requirements.

Should you have any questions regarding this memo, please feel free to contact Steve Kolcio at 202-648-7707.

**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The Office of the Inspector General (OIG) provided a draft of this report to the Department's Justice Management Division (JMD), Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), and the Federal Bureau of Investigation (FBI). JMD's response is incorporated in Appendix I. The FBI's response is incorporated in Appendix II and ATF's response is incorporated in Appendix III. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation:

- 1. Periodically issue reminders to both purchase card holders and approving officials regarding the importance of performing and reviewing monthly reconciliations for every active account.**

Resolved. JMD concurred with our recommendation. JMD stated in its response that beginning in Fiscal Year (FY) 2015, periodic reminders will be sent to purchase card holders and approving officials emphasizing the importance of performing and reviewing monthly reconciliations for every active account.

This recommendation can be closed when we receive evidence that JMD sends reminders to purchase card holders and approving officials emphasizing the importance of performing and reviewing monthly reconciliations.

- 2. Update the DOJ Charge Card Management Plan to ensure that appropriate purchase card agency program coordinators (APC) and travel card coordinators receive notification when an employee with a charge card leaves employment and promptly cancel all associated charge card accounts.**

Resolved. JMD concurred with our recommendation. JMD stated in its response that it will update the FY 2015 Charge Card Management Plan and work with components to determine appropriate notifications for APCs and travel card coordinators when an employee with a charge card leaves employment.

This recommendation can be closed when: (1) JMD updates the FY 2015 Charge Card Management Plan, and (2) APCs and travel card coordinators receive notices when an employee with a charge card leaves employment.

- 3. Work with other DOJ components to implement a process that ensures component APCs receive and track all travel card training certifications so they can identify and prompt card holders due to receive required travel card refresher training.**

Resolved. JMD concurred with our recommendation. JMD stated in its response that JMD will work with other DOJ components to ensure that travel card holders receive required training and that appropriate personnel maintain certifications.

This recommendation can be closed when we receive evidence that JMD worked with DOJ components to ensure that required training is completed and certifications are maintained by appropriate component personnel. The evidence provided should include documentation of any new guidance or procedures implemented.

- 4. Ensure that card holders authorized to write convenience checks and their approving officials are aware and periodically reminded of convenience check restrictions and approval requirements.**

Resolved. The FBI and ATF concurred with our recommendation. The FBI stated in its response that it will periodically notify authorized convenience check holders and their approving officials regarding convenience check restrictions and requirements. ATF stated in its response that it will also periodically remind card holders authorized to write convenience checks and approving officials on the restrictions and approval requirements.

This recommendation can be closed when we receive evidence that the FBI and ATF send periodic reminders to card holders authorized to write convenience checks and approving officials regarding the restrictions and approval requirements.