

**OFFICE OF  
INSPECTOR GENERAL**

# **Inspection Report**

**Farm Credit Administration's  
Purchase Card Program  
I-17-01**

**Inspector  
Ava Bell**

**Issued March 7, 2017**



**FARM CREDIT ADMINISTRATION**



March 7, 2017

The Honorable Dallas P. Tonsager, Board Chairman  
The Honorable Kenneth A. Spearman, Board Member  
The Honorable Jeffery S. Hall, Board Member  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

Dear Board Chairman Tonsager and Board Members Spearman and Hall:

The Office of Inspector General (OIG) completed an inspection of the Farm Credit Administration's (FCA or Agency) Purchase Card Program. The objective of this inspection was to determine whether FCA's oversight of the purchase card program was effective.

We found FCA's oversight of the purchase card program is generally effective. FCA established and implemented controls over the program. No instances of potentially fraudulent or illegal purchases were identified in our review. We identified some opportunities to improve the purchase card program. In response to our report, the Agency agreed to:

1. Follow up on previous agreed-upon actions by reminding current cardholders and approving officials of the importance of:
  - Obtaining written prior approval from the approving official for all transactions unless there is a standard agency buy approval in place.
  - Maintaining a purchase activity log and submitting it to the approving official for review and signature on a monthly basis.
2. Review and update Office of Agency Services Directive 6 to ensure guidance is current.

The Office of Agency Services (OAS) corresponded with cardholders and approving officials by email, reemphasizing requirements. These requirements include: 1) obtaining written approval from the approving official prior to making purchases for non-standard supplies; and 2) maintaining a monthly purchase activity log submitted for review and signature to the approving official. OAS Directive 6, Charge Card Operating Procedures, was also updated. Therefore, the agreed-upon actions are resolved and considered closed.

We appreciate the courtesies and professionalism extended by FCA personnel to the OIG staff. If you have any questions about this inspection, I would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink that reads 'Elizabeth M. Dean'. The signature is written in a cursive style.

Elizabeth M. Dean  
Inspector General

Enclosure



# EXECUTIVE SUMMARY

I-17-01

## AGREED-UPON ACTIONS:

In order to improve the purchase card program, the Agency agreed to:

1. Follow up on previous agreed-upon actions by reminding current cardholders and approving officials of the importance of:
  - a. Obtaining written prior approval from the approving official for all transactions unless there is a standard agency buy approval in place.
  - b. Maintaining a purchase activity log and submitting it to the approving official for review and signature on a monthly basis.
2. Review and update Office of Agency Services Directive 6 to ensure guidance is current.

## INSPECTION OF THE FARM CREDIT ADMINISTRATION'S PURCHASE CARD PROGRAM

The Farm Credit Administration (FCA or Agency) is an independent Federal agency responsible for regulating, examining, and supervising the Farm Credit System and the Federal Agricultural Mortgage Corporation.

The objective of this inspection was to determine if FCA's oversight of the purchase card program was effective. We found FCA's oversight is generally effective:

- No instances of potentially fraudulent or illegal purchases were identified in our review.
- The process for reviewing and approving purchase card transactions is generally followed.
- Purchase card records are generally well organized with thorough documentation.
- Cardholder limits match established Agency limits, with a few exceptions appropriately justified based on position (e.g., contract specialist) or volume of transactions required.
- No exceptions were noted during our review of sampled cardholder training certifications.
- Purchase card accounts are closed in a timely manner following a cardholder's separation from the Agency.

We identified some opportunities to further improve the purchase card program. Purchase card procedures require cardholders to document approval from the approving official (AO) prior to making a purchase, and have their monthly purchase activity logs signed by the AO. Although most cardholders obtained prior approval for purchases and maintained a monthly purchase activity log with approvals, a few cardholders did not do so.

Responding to the inspection recommendations, the Office of Agency Services (OAS) prepared and corresponded by email with cardholders and AOs. The correspondence reemphasized requirements previously identified, including: 1) obtaining written approval from the AO prior to making purchases for non-standard supplies; and 2) maintaining a monthly purchase activity log submitted to the AO for review and signature. OAS Directive 6, Charge Card Operating Procedures, was also updated, including the current single purchase amount limit. Therefore, the agreed-upon actions are resolved and considered closed.

## TABLE OF CONTENTS

|  |          |
|--|----------|
| <b>BACKGROUND</b>                        | <b>1</b> |
| Prior Reviews                            | 1        |
| <b>INSPECTION RESULTS</b>                | <b>2</b> |
| Purchase Card Administration             | 2        |
| Purchase Card Controls                   | 3        |
| Agreed-Upon Actions                      | 5        |
| <b>OBJECTIVE, SCOPE, AND METHODOLOGY</b> | <b>6</b> |
| <b>ACRONYMS</b>                          | <b>7</b> |

## BACKGROUND

The Farm Credit Administration (FCA or Agency) is an independent Federal agency responsible for regulating, examining, and supervising the Farm Credit System and the Federal Agricultural Mortgage Corporation. The mission of the Agency is to ensure a safe, sound, and dependable source of credit and related services for agriculture and rural America.

FCA participates in the General Services Administration's SmartPay Program to make official purchases related to the Agency's mission. FCA provides purchase cards to employees with a certified need to make purchases for their office. The Agency contracts with the Bureau of the Fiscal Service (BFS) for purchase card program administration and services. BFS has contracted with Citibank MasterCard for its card program. FCA's Office of Agency Services is responsible for the overall administration of the purchase card program.



FCA maintains written policies and procedures related to the administration of the purchase card program in accordance with the requirements of Office of Management and Budget (OMB) Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*. The requirements include an annual submission of the Agency's Charge Card Management Plan that outlines FCA's system of internal controls over the charge card programs.

Additionally, the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) supplemented OMB Circular A-123, Appendix B with reporting and audit requirements and augmentation of existing controls. The Charge Card Act and OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012, also mandated each Inspector General perform assessments of charge card programs.<sup>1</sup> The Office of Inspector General (OIG) completes an annual risk assessment and initiated this inspection as part of our ongoing efforts in this area.

### Prior Reviews

The OIG has conducted several reviews of the purchase card program, including:

- The OIG performed an inspection, [\*Distribution, Usage and Control of Purchase and Travel Cards at the Farm Credit Administration \(I-09-01\), June 2009\*](#). The objective was to determine the effectiveness and efficiency of the implementation of government purchase and travel cards at FCA. For purchase cards, the inspection found FCA had adequate controls over the program and there were no notable delinquencies or misuses. The Agency agreed to update the purchase card policy and procedures to: include a link to the FCA Credit Card Management Plan (updated

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<sup>1</sup> FCA does not meet the threshold for a required travel audit set forth in the Charge Card Act. The Charge Card Act did not establish a threshold for purchase card programs. Inspectors General must perform an annual assessment of purchase cards. As part of our ongoing efforts, the OIG performs an annual assessment of all charge card programs.

and submitted to OMB annually); consolidate existing guidance on purchase cards; and include a section on inappropriate actions and/or charges.

All agreed-upon actions were addressed and closed by September 2009.

- In 2014, the OIG conducted an audit, [Farm Credit Administration's Purchase Card Program \(A-14-02\), Sept. 2014](#). The objective of this audit was to determine whether FCA's oversight of the purchase card program was effective. The Agency agreed to:
  1. Provide education to cardholders and Approving Officials on the light refreshments policy and the preapproval, purchase activity log, convenience check, and documentation requirements.
  2. Distribute a template of an acceptable standard agency buy form to cardholders.
  3. Document justifications for cardholders with higher limits.
  4. Document exceptions to current processes and ensure purchase cardholders and Approving Officials understand the need for documenting approvals when departing from policies and procedures.

All agreed-upon actions were addressed and closed in September 2014.

## INSPECTION RESULTS

The inspection objective was to determine whether FCA's oversight of the purchase card program is effective. During our review, we found FCA's oversight of the program is effective.

FCA has established and implemented controls over the purchase card program, limiting risk for the Agency. Specifically, FCA has a documented process for reviewing purchase card transactions. The process requires the Approving Official (AO) to review all transactions at the cardholder level. A staff member of the Operations Division reviews all purchase card transactions each month. The Bureau of the Fiscal Service (BFS) performs an annual audit of cardholder transactions.

### Purchase Card Administration

The Agency Organization Program Coordinator is responsible for initiating and maintaining cardholder accounts, overseeing internal reviews of cardholder accounts, and canceling the accounts of separated employees. We reviewed FCA's listing of 22 active purchase cardholders and identified three employees who had separated from the Agency on the list, as well as one current cardholder who was not on the list. BFS records showed the accounts had been closed in a timely manner (two accounts closed within one week of separation from the Agency, and one account within three weeks of separation). However, the Agency's list of current cardholders was not updated.

Cardholder limits generally match established Agency limits, which are \$3,500 for a single purchase and \$10,000 for total monthly purchases. There are four exceptions to the established limits. We reviewed these exceptions and found them appropriate based on position (e.g., contract specialist) or volume of

transactions required for the cardholder's office. All exceptions were documented in FCA records and justifications were appropriate based on the position of the individual.

Cardholders are required to take training when they initially receive a purchase card and every three years thereafter for refresher training. Cardholders must pass a test following review of the purchase card guidelines and training course. Cardholders certify they have read the procedures and understand the possible consequences of card misuse. We judgmentally sampled and reviewed the training certifications for employees who were issued cards after the OIG's 2014 purchase card audit. We found no exceptions in the training records.

## Purchase Card Controls

Cardholder and Approving Official (AO) responsibilities are described in:

- OAS Directive 6, Charge Card Operating Procedures
- Operational Handbook for the Purchase Card Program
- FCA Charge Card Management Plan
- BFS purchase card procedures

All guidance is current, except the office directive has not been updated since September 2009, and does not have the current single purchase limit amount in its guidance (increased from \$3,000 to \$3,500 in 2015).

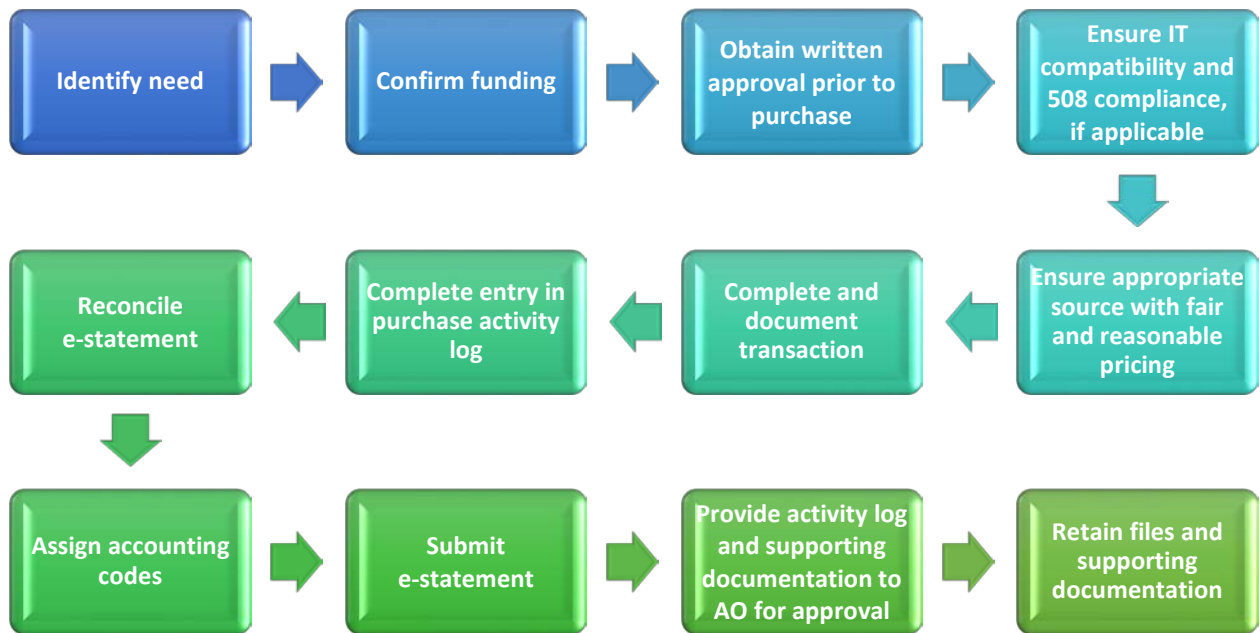
The guidance establishes cardholders are required to:

- confirm funding is available for the purchase;
- obtain written approval from his/her AO prior to making a purchase;
- document proof of the purchase and/or receipt of the goods and services;
- maintain a monthly purchase activity log of all transactions, signed by the AO;
- review the electronic monthly statement (e-statement) and reallocate each transaction to the appropriate accounting code; and
- submit the e-statement for AO review and approval.

The cardholder's AO is responsible for:

- providing written prior approval for the cardholder's purchases or designating routine items as a "standard agency buy";
- reviewing the monthly purchase activity log and providing written approval;
- reviewing the transactions and accounting codes on the monthly e-statement; and
- submitting the e-statement.

## PURCHASING PROCESS FOR THE CARDHOLDER



To test purchase card controls, we reviewed purchase card activity from Fiscal Years (FY) 2015-2016, totaling 2,820 transactions. We reviewed the transactions for potentially improper, erroneous, and illegal activity, including transactions with merchants that might be at higher risk for card misuse, such as online retailers, bulk purchase warehouses, grocery stores, and restaurants. We judgmentally sampled 354 transactions for further review of supporting documentation. After reviewing merchant category codes, descriptions, names, amounts, dates, and supporting documentation, we identified no instances of potentially fraudulent or illegal purchases.

We requested documentation for the sampled transactions to review:

- written prior approval;
- proof of purchase or receipt of the goods or services; and
- monthly purchase activity log, with AO signature.

Purchase card records are required to be maintained for six years and three months following the month of the transaction. Most purchase cardholders maintained well organized and thorough documentation. However, we found some cardholders had not always followed the process. Exceptions generally fell into one of two categories:

1. Approval prior to the date of the transaction

Twelve cardholders were missing documentation of written prior approval for 43 transactions. Four cardholders had prior approval from a senior staff member who is not their AO for 21 transactions. Eleven of these transactions were instances of the cardholder ordering for another office that did not have a current purchase cardholder. Purchase card procedures state that only the AO may approve transactions for the cardholder. Additionally, a cardholder may have an alternate AO approve transactions.



2. Approval signature on the monthly purchase activity log

Six cardholders did not consistently submit their monthly purchase activity logs to their AO for review and signature. Agency procedures require cardholders to have their monthly purchase activity logs reviewed and signed by the AO.

In response to our last purchase card audit in 2014, the Agency issued an email to cardholders and AOs on pre-approval, purchase activity log, and documentation requirements, noting some cardholders had not consistently followed established policies and procedures. The 2015 BFS audit results and the 2016 Internal Control Review for purchase cards both showed some cardholders persist in not following the purchase card policies and procedures for required approvals and documentation.

### **Agreed-Upon Actions**

In order to improve the purchase card program, the Agency agreed to:

1. Follow up on previous agreed-upon actions by reminding current cardholders and approving officials of the importance of:
  - Obtaining written prior approval from the approving official for all transactions unless there is a standard agency buy approval in place.
  - Maintaining a purchase activity log and submitting it to the approving official for review and signature on a monthly basis.
  
2. Review and update Office of Agency Services Directive 6 to ensure guidance is current.

Responding to the inspection recommendations, OAS prepared and corresponded by email with cardholders and approving officials. The correspondence reemphasized requirements previously identified, including: 1) obtaining written approval from the approving official prior to making purchases for non-standard supplies; and 2) maintaining a monthly purchase activity log submitted for review and signature to the approving official. OAS Directive 6, *Charge Card Operating Procedures*, was also updated, including the current single purchase amount limit. Therefore, the agreed-upon actions are resolved and considered closed.

## OBJECTIVE, SCOPE, AND METHODOLOGY

The inspection objective was to determine whether FCA's oversight of the purchase card program is effective. We conducted the inspection at FCA's Headquarters in McLean, Virginia from October 2016 through February 2017. We limited our scope to Fiscal Years 2015 and 2016.

We took the following steps to accomplish the objective:

- Identified and reviewed applicable Federal laws, regulations, and guidance related to the inspection objective.
- Considered results from prior reviews related to the inspection objective.
- Conducted interviews with personnel from the Office of Agency Services.
- Identified and reviewed applicable internal FCA policies and procedures.
- Requested and reviewed FCA's listing of all active purchase card accounts and purchase limits for each account as of October 2016. Compared listing to current employees to determine if separated employees were removed.
- Determined if purchase limits were within established guidelines and appropriate.
- Judgmentally sampled training records of new cardholders to ensure training certificates were completed.
- Requested and reviewed transaction activity on each purchase card account for Fiscal Years 2015 and 2016 for potentially improper, illegal, or erroneous charges. Judgmentally sampled charges for further review based on merchant category codes and names, descriptions, amounts, and dates of transactions. Verified documentation maintained by the cardholders. Because our sample was judgmental, it cannot be projected to the entire population.

This inspection was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation. Those standards require that we plan and perform the inspection to obtain sufficient, competent and relevant evidence that supports a reasonable basis for our findings, conclusions and recommendations. We assessed internal controls, laws and regulations to the extent necessary to satisfy the objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. We assessed the information and data collected during the inspection and determined it was sufficiently reliable and valid for use in meeting the inspection objective. We assessed the risk of fraud related to our inspection objective in the course of evaluating evidence. Overall, we believe the evidence obtained is sufficient to provide a reasonable basis for our findings and conclusions based on the inspection objective.

## ACRONYMS

|     |                                 |
|-----|---------------------------------|
| AO  | Approving Official              |
| BFS | Bureau of the Fiscal Service    |
| FCA | Farm Credit Administration      |
| FY  | Fiscal Year                     |
| OAS | Office of Agency Services       |
| OIG | Office of Inspector General     |
| OMB | Office of Management and Budget |

# R E P O R T

Fraud | Waste | Abuse | Mismanagement



**FARM CREDIT ADMINISTRATION**

**OFFICE OF INSPECTOR GENERAL**

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