



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MEMORANDUM

March 31, 2020

TO: Jay Clayton, Chairman

FROM: Carl W. Hoecker, Inspector General 

SUBJECT: *Results of the Inspector General's Fiscal Year 2019 Purchase Card Program Risk Assessment*

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act),¹ as implemented by Office of Management and Budget (OMB) Circular No. A-123, Appendix B, requires the Office of Inspector General to conduct periodic assessments of the agency's purchase card and/or convenience check program to identify and analyze risks of illegal, improper, or erroneous purchases and payments in order to determine the scope, frequency, and number of periodic audits of purchase card or convenience check transactions.² As a result, we conducted a risk assessment of the U.S. Securities and Exchange Commission's (SEC or agency) Government Purchase Card (GPC) program for fiscal year (FY) 2019. This memorandum fulfills the Charge Card Act requirement to report to the agency head the results of the risk assessment.

To conduct the risk assessment of the SEC's GPC program, we assessed agency compliance with requirements of the Charge Card Act and evaluated the SEC's GPC program against an established enterprise risk management framework. We interviewed staff from the Office of Acquisitions and reviewed applicable documents. Additionally, we considered the results of our periodic review of purchase card transactions. In FY 2019, the SEC GPC program had about 100 cardholders who made 2,991 transactions for a total of \$2,270,443. We used a data analytic software program to risk-rank transactions. Our analysis included 35 transaction risk factors, such as unallowable merchant category codes, cash advances, and even-dollar purchases, and 9 cardholder risk factors, such as frequent use of third party vendors and declined transactions. Based on risk scoring, we selected a judgmental sample of 55 transactions to compare to supporting documentation.

The SEC has established GPC program objectives, identified program risks, and generally established controls and monitoring to address those risks. We agree with the SEC's assessment of how its controls and monitoring affect the likelihood the risks could occur and

¹ Public Law 112-194, 126 Stat. 1445 (October 5, 2012).

² The August 27, 2019, revision to OMB Circular No. A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, rescinds the previous version dated January 2009, as well as OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, dated September 2013. While OMB Memorandum M-13-21 required Inspectors General to perform periodic assessments on an annual basis, the August 27, 2019, revision to OMB Circular No. A-123, Appendix B, does not define "periodic assessment" or express a frequency.

the impact those risks would have on the GPC program. Given the objectives and size of the GPC program and its materiality to the SEC, the agency's risk response appears reasonable and sufficient. Furthermore, during prior reviews of the SEC's GPC program, cardholders were sometimes unable to provide documentation demonstrating that employees attended GPC-paid external training events, as required by an SEC administrative regulation.³ During our review of the SEC's FY 2019 GPC transactions, we noted that, although cardholders did not maintain proof of attendance as part of their GPC documentation, they established a database to track training requests, payments, and proof of attendance as an alternative control.

However, we also observed that SEC personnel did not validate the accuracy of quarterly purchase card refunds (also referred to as rebates) received, as required by the Charge Card Act and agency policy.⁴ Therefore, the SEC may not have received the correct amount of refunds in FY 2019. The SEC's GPC team indicated that they are working with U.S. Bank to understand how to validate such refunds. We will reassess the agency's validation of purchase card refunds during our next risk assessment of the SEC's GPC program.

Overall, we determined that the risk of illegal, improper, or erroneous purchases and payments in the SEC's GPC program is low. As a result, we do not plan on conducting an audit of the program at this time. This determination does not mean that the SEC's GPC program is free of illegal, improper, or erroneous use, or free of internal control deficiencies. An audit of the program may identify issues not previously noted in the risk assessment. As such, we encourage SEC management to continue to conduct prudent oversight over its GPC program and to ensure that internal controls are in place and implemented in order to safeguard taxpayers funds.

The Charge Card Act also requires periodic audits or reviews of travel card programs for agencies with more than \$10 million in travel card spending, but does not require travel card program risk assessments. We determined that, in FY 2019, the SEC did not meet the \$10 million threshold. However, we recently completed an audit of the SEC's travel card program (*Controls Over the SEC's Travel Charge Card Program Could Be Strengthened To More Fully Comply With Requirements and Maximize Benefits*, Report No. 560 issued on March 30, 2020).

We appreciate the courtesies and cooperation extended to us during this assessment. If you have questions, please contact Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, at sharekr@sec.gov, or Carrie Fleming, Audit Manager, at flemingca@sec.gov. You can obtain additional information about the SEC Office of Inspector General at <http://www.sec.gov/oig>.

³ SEC Administrative Regulation 6-28, *Training and Development Program* (October 1, 2018), states that, to confirm attendance at external training events, employees will verify attendance via electronic means in the SEC Learning Management System or communications with an SEC University staff member.

⁴ Among other things, the Charge Card Act requires the head of each executive agency that issues and uses purchase cards and convenience checks to ensure purchase card account rebates and refunds based on prompt payment, sales volume, or other actions are reviewed for accuracy and properly recorded as a receipt to the agency. Likewise, SEC Operating Procedure 10-6, *Government Purchase Card Program* (February 20, 2019), states that the SEC's GPC team will review quarterly rebate calculations to determine validity.

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