




OFFICE OF
INSPECTOR GENERAL

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SECURITIES AND EXCHANGE COMMISSION
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M E M O R A N D U M

July 13, 2022

TO: Gary Gensler, Chair

FROM: Rebecca L. Sharek, Acting Inspector General 

SUBJECT: *Results of the Inspector General's Fiscal Year 2021 Purchase and Travel 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, Revised (dated August 27, 2019) requires Inspectors General to conduct periodic assessments of agency government purchase card (GPC) or convenience check programs 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 GPC or convenience check transactions. With respect to executive agencies with more than \$10 million in travel card spending, the Charge Card Act also requires periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments. To fulfill its mission, the U.S. Securities and Exchange Commission (SEC) Office of Inspector General (OIG) conducted a risk assessment of the SEC's GPC and travel card programs for fiscal year (FY) 2021.² This memorandum provides the results of the assessment.

GPC Program. 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 Office of Acquisitions staff and reviewed applicable documents. Additionally, we considered the results of our review of GPC transactions.

In FY 2021, the SEC GPC program had 112 cardholders. In addition, 2,266 transactions totaling \$2,257,687 were made. We used a data analytic software program to risk-rank

¹ Pub. L. No. 112-194 (Oct. 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. Given (1) the flexibility provided by the August 27, 2019, revision of OMB Circular No. A-123, Appendix B; (2) the size of the SEC's GPC and travel card programs and the programs' materiality to the SEC; (3) the results of prior risk assessments and audits of both SEC programs; and (4) the SEC OIG's need to efficiently allocate its limited Office of Audits resources, in September 2020 the SEC OIG adopted a framework that, among other things, provides for triennial risk assessments of the SEC's GPC and travel card programs.

transactions. Our analysis included 35 transaction risk factors, such as unallowable merchant category codes, cash advances, and even-dollar purchases. We also included nine cardholder risk factors, such as frequent use of third party vendors and declined transactions. Based on risk scoring, we selected a judgmental sample of 40 GPC transactions to compare to supporting documentation.

Our FY 2019 risk assessment of the SEC's GPC program noted that, at that time, SEC personnel did not validate the accuracy of quarterly GPC refunds received (also referred to as rebates), as required by the Charge Card Act and agency policy.³ Therefore, we concluded that the SEC may not have received the correct amount of refunds in FY 2019.⁴ During our FY 2021 risk assessment, we again found that Office of Acquisitions personnel did not validate the accuracy of quarterly GPC refunds received. During our assessment, the SEC's GPC team worked with U.S. Bank—the issuer of the SEC's purchase cards—to validate the accuracy of the agency's quarterly GPC refunds for FY 2021. We will reassess the validation of purchase card refunds during our next planned audit of the SEC's GPC program, which is scheduled for 2024.

In addition, during our review of a sample of 40 of the agency's 2,266 FY 2021 GPC transactions, we observed the following:

- one instance in which a GPC cardholder did not maintain documentation of a cancellation request for a training event paid for by GPC;
- one instance in which a GPC cardholder did not maintain documentation of completion of services paid for by GPC;
- one instance in which a GPC cardholder did not obtain approval from an approving official to purchase goods at a price that increased from \$1,520 to \$1,848; and
- monthly parking charges for a centrally billed GPC cardholder that included \$21 in avoidable taxes.⁵ These charges totaled \$256 during FY 2021.

Based on these observations, we encourage the SEC's GPC team to (1) reiterate to the agency's GPC cardholders the requirements for retaining supporting documentation, and (2) continue to work with GPC cardholders to pursue exemptions to state taxes, where available, and recover taxes that should not have been paid.

³ Among other things, the Charge Card Act requires the head of each executive agency that issues and uses GPCs and convenience checks to ensure GPC 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.

⁴ U.S. Securities and Exchange Commission, Office of Inspector General, *Results of the Inspector General's Fiscal Year 2019 Purchase Card Program Risk Assessment* (March 31, 2020).

⁵ The General Services Administration administers the federal government's GPC program and maintains contracts with the private banks that issue GPCs. Specifically, the General Services Administration's Center for Charge Card Management administers the government's SmartPay charge card program. According to the SmartPay website, centrally billed account GPCs are exempt from state taxes in every state. After we informed the SEC's GPC team of our observation, the team contacted the vendor in question to obtain a credit for the taxes that had accrued.

Travel Card Program. To conduct the risk assessment of the SEC's travel card program, we assessed agency compliance with requirements of the Charge Card Act and evaluated the SEC's travel card program against an established enterprise risk management framework. We interviewed staff from the Office of Financial Management and reviewed applicable documentation. Additionally, we considered the results of our last travel card program audit (Report No. 560, issued in March 2020)⁶ and the results of our review of travel card transactions.

In FY 2021, the SEC's travel charge card program had 2,349 cardholders. In addition, 1,338 transactions totaling \$196,643 were made.⁷ We judgmentally selected 10 transactions to compare to supporting documentation. These transactions covered airfare and lodging charges posted to individually billed accounts and the agency's centrally billed account.

Our 2020 travel card program audit found that, during FY 2018 and FY 2019, quarters 1 and 2, the SEC paid to tax-exempt states and territories \$119,273 in lodging taxes that could have potentially been avoided. During our FY 2021 risk assessment, we again observed one instance in which the SEC paid lodging taxes to a tax-exempt state. In August 2020, the Office of Financial Management updated its policies to encourage travelers and authorizing officials to take advantage of state tax exemptions, where available. We encourage management to continue directing travelers to take advantage of such exemptions when possible.

Conclusion. Overall, we determined that the risk of illegal, improper, or erroneous purchases and payments in both the SEC's GPC and travel card programs is low. As a result, barring evidence of increased programmatic risk in the interim, the OIG will audit the SEC's GPC program in 2024,⁸ and will perform its next risk assessment of the SEC's travel card program in 2025.

This determination does not mean that the SEC's GPC and travel card programs are free of illegal, improper, or erroneous use, or free of internal control deficiencies. An audit of both programs may identify issues not previously noted in our risk assessment. As such, we encourage SEC management to continue to conduct prudent oversight over its GPC and travel card programs and ensure that internal controls are in place and implemented to ensure compliance with applicable requirements and to safeguard taxpayer funds.

We appreciate the courtesies and cooperation extended to us during this assessment. If you have questions, please contact me or Colin Heffernan, Audit Manager. You can obtain additional information about the SEC OIG at <http://www.sec.gov/oig>.

⁶ U.S. Securities and Exchange Commission, Office of Inspector General, *Controls Over the SEC's Travel Charge Card Program Could be Strengthened To More Comply With Requirements and Maximize Benefits*, (Report No. 560; March 30, 2020). We also followed up on the actions taken by the agency in response to Report No. 560, noting that, as of the date of this memorandum, all recommendations have been fully addressed.

⁷ Between FY 2018 and FY 2021, agency travel expenditures decreased by 94 percent as a result of the COVID pandemic.

⁸ We completed our last audit of the SEC's controls over its GPC program in 2014. See U.S. Securities and Exchange Commission, Office of Inspector General, *Controls over the SEC's Government Purchase Card Program* (Report No. 517; March 28, 2014).

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