



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

U.S. Chemical Safety Board

CSB Purchase Card Program at Low Risk for Unauthorized Purchases

Report No. 17-P-0303

July 5, 2017



Report Contributors:

Michael D. Davis
Marcia R. Hirt-Reigeluth
Randy Holthaus

Abbreviations

BFS	Bureau of the Fiscal Service
CFR	Code of Federal Regulations
CSB	U.S. Chemical Safety and Hazard Investigation Board
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
U.S.C.	United States Code

Cover photo: Government purchase card and dollar amount of CSB's FY 2016 expenditures.
(EPA OIG image)

Are you aware of fraud, waste or abuse in an EPA or CSB program?

EPA Inspector General Hotline

1200 Pennsylvania Avenue, NW (2431T)
Washington, DC 20460
(888) 546-8740
(202) 566-2599 (fax)
OIG_Hotline@epa.gov

Learn more about our [OIG Hotline](#).

EPA Office of Inspector General

1200 Pennsylvania Avenue, NW (2410T)
Washington, DC 20460
(202) 566-2391
www.epa.gov/oig

Subscribe to our [Email Updates](#)
Follow us on Twitter [@EPAoig](#)
Send us your [Project Suggestions](#)



At a Glance

Why We Did This Review

The Office of Inspector General (OIG) performed this risk assessment of the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) purchase card use during fiscal year (FY) 2016, as required by the Government Charge Card Abuse Prevention Act of 2012. The act requires the Inspector General of each agency to conduct periodic assessments of the agency's purchase card program or convenience check programs to analyze the risks of illegal, improper or erroneous purchases.

In FY 2016, the OIG conducted an audit of CSB's purchase card program, and, based on improvements to its internal controls, we determined that CSB's program was at low risk for illegal, improper or erroneous purchases and payments. As a result, we conducted a risk assessment in FY 2017, which provided the data for this report.

This report addresses the following CSB goal:

- *Preserve the public trust by maintaining and improving organizational excellence.*

Send all inquiries to our public affairs office at (202) 566-2391 or visit www.epa.gov/oig.

Listing of [OIG reports](#).

CSB Purchase Card Program at Low Risk for Unauthorized Purchases

What We Found

The CSB purchase card program is at low risk for unauthorized purchases. The CSB should continue to follow the regulations set forth in its Charge Card Management Plan and Office of Management and Budget's guidance governing agency purchase cards. Our review of nine sampled transactions found the transactions to be legitimate and that CSB complied with applicable plans and guidance.

CSB's purchase card program, for which it spent \$238,390 in FY 2016, is at low risk for unauthorized purchases.

However, the CSB FY 2016 Account Activity Report that CSB originally provided to the OIG was inaccurate. The CSB purchase card transaction records are maintained by the U.S. Department of the Treasury's Bureau of the Fiscal Service (BFS). BFS inadvertently excluded identical purchase transactions made to the same vendor on the same day for the same dollar amount when it provided the report to CSB. Identical purchase transactions signify possible unallowed split transactions, which occur when an agency splits the costs of purchases into separate transactions to avoid exceeding acquisition thresholds.

Upon learning of its error, BFS generated an accurate report, which CSB provided to the OIG. The updated report contained an additional 26 transactions, which were identical to ones previously listed. These 26 possible split transactions totaled \$14,942, bringing the total number and cost of the report's transactions to 561 and \$238,390. We reviewed the transactions in the new report and did not identify any split transactions.

Recommendation and Planned Agency Actions

We recommend that CSB review and reconcile BFS Account Activity Report transaction counts and totals to the purchase card records maintained by CSB in its financial system before providing these reports to the OIG. CSB concurred with this recommendation and plans to complete the corrective action during the FY 2018 risk assessment. The recommendation is therefore resolved with corrective action pending.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

July 5, 2017

The Honorable Vanessa Allen Sutherland
Chairperson and Board Member
U.S. Chemical Safety and Hazard Investigation Board
1750 Pennsylvania Avenue NW, Suite 910
Washington, D.C. 20006

Dear Ms. Sutherland:

This is our report on the risk assessment of the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) purchase card program for fiscal year 2016. This report contains a finding that describes a problem the Office of Inspector General (OIG) has identified and the corrective action the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final CSB position.

CSB's planned corrective action meets the intent of the recommendation. As a result, you are not required to provide a written response to this report. However, if you submit a response, it will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", written in a cursive style.

Arthur A. Elkins Jr.

Table of Contents

Purpose	1
Background	1
Scope and Methodology	1
Prior Report	2
Results of Audit	2
CSB Needs to Verify BFS Account Activity Report(s) of Purchase Card and Convenience Check Transactions.....	2
CSB Is Compliant With OMB Split-Purchase Transaction Requirements.....	4
Conclusion	4
Recommendation	4
CSB Comments and OIG Evaluation	5
Status of Recommendations and Potential Monetary Benefits	6

Appendices

A CSB Response	7
B Distribution	9

Purpose

Our audit objective was to perform a risk assessment of the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) purchase card use during fiscal year (FY) 2016. The Government Charge Card Abuse Prevention Act of 2012, at 41 U.S.C. § 1909(d), requires the Inspector General of each agency to conduct periodic assessments of the agency's purchase card or convenience check programs to analyze the risks of illegal, improper or erroneous purchases.

Background

CSB is an independent federal agency charged with investigating industrial chemical incidents and hazards. Headquartered in Washington, D.C., the agency's board members are appointed by the President and confirmed by the U.S. Senate. CSB was established by the Clean Air Act Amendments of 1990 and became operational in 1998.

The Government Charge Card Abuse Prevention Act of 2012 reinforced administration efforts to prevent waste, fraud and abuse of governmentwide charge card programs. The act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards and centrally billed accounts. The act also requires the Office of Inspector General (OIG) to conduct periodic risk assessments of an agency purchase card program or convenience check programs to analyze the risks of illegal, improper or erroneous purchases. These risk assessments will be used to determine the necessary scope, frequency, and number of audits that the OIG needs to conduct of these programs.

Scope and Methodology

We conducted this charge card audit from March to May 2017 in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We reviewed, analyzed and documented internal controls. CSB completed 561 purchase card and convenience check transactions, with a total net value of \$238,390, for FY 2016. We judgmentally selected a sample of nine transactions, valued at \$19,117, based on the amount and type of transaction, to review for legitimate purchases, proper authorization, and approvals based on CSB's management plan requirements. We analyzed CSB's Charge Card Management Plan to determine if it had controls that prevented fraud, waste and abuse of purchase cards.

Prior Report

In FY 2016, the OIG conducted an audit of CSB's purchase card program. Report No. [16-P-0260](#), *CSB Has Improved Its Controls Over Purchase Cards*, issued August 11, 2016, assessed CSB's program as low risk based on the improvements to its purchase card internal controls. There were two recommendations in the report. One of the recommendations was corrected prior to the completion of the audit, while the other was completed by December 31, 2016. Based on the results of the audit, the OIG determined that a risk assessment should be performed in FY 2017.

Results of Audit

The CSB purchase card program continues to be at low risk for unauthorized purchases. The CSB should continue to follow the regulations set forth in its Charge Card Management Plan and Office of Management and Budget's (OMB's) guidance governing agency purchase cards. Our review of nine sampled transactions worth \$19,117 found the transactions to be legitimate and that CSB complied with applicable plans and guidance. In addition, as part of our risk assessment, we reviewed the report for possible split transactions and did not find any.

During the course of our risk assessment, we found that the original CSB FY 2016 Account Activity Report that the CSB provided to us was inaccurate. The report did not include any identical purchase transactions made to the same vendor on the same day for the same dollar amount. CSB obtained and provided the OIG with an updated report from the Department of the Treasury's Bureau of the Fiscal Service (BFS). The updated report contained an additional 26 transactions totaling \$14,942, increasing the number of transactions to 561 totaling \$238,390.

CSB Needs to Verify BFS Account Activity Report(s) of Purchase Card and Convenience Check Transactions

The CSB should review and reconcile the BFS Account Activity Report(s) transaction counts and totals to the purchase card records maintained by CSB in its financial system before providing the BFS report to the OIG. The original CSB FY 2016 Account Activity Report provided to the OIG was inaccurate, understating the total number of transactions by 26, and the total value of the transactions by \$14,942. While reviewing one of the nine transactions in our sample, we found that there were two purchase transactions that looked identical, as they were to the same vendor on the same day for the same dollar amount. However, only one transaction was shown in the original CSB FY 2016 Account Activity Report.

We asked CSB about the missing transaction and were informed that BFS had retrieved the report. The CSB informed BFS of the error. The BFS acknowledged that it had failed to include all of the necessary attributes needed to pull all transactions that look identical for both open and closed cardholders, and it advised CSB of that error. As a result, none of those identical transactions were included in the original CSB FY 2016 Account Activity Report. After BFS identified the reason for the incomplete retrieval, it pulled another report, which the CSB provided to the OIG. The updated report contained an additional 26 transactions totaling \$14,942, increasing the number of transactions to 561 totaling \$238,390.

The U.S. Government Accountability Office *Standards for Internal Control in the Federal Government, Principle 16 – Perform Monitoring Activities, Internal Control System Monitoring*, defines management’s responsibilities in Sections 16.04 and 16.05:

Management monitors the internal control system through ongoing monitoring and separate evaluations. Ongoing monitoring is built into the entity’s operations, performed continually, and responsive to change. Separate evaluations are used periodically and may provide feedback on the effectiveness of ongoing monitoring.

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

The CSB did not reconcile the original FY 2016 Account Activity Report transaction counts and totals to the purchase card records maintained by CSB in its financial system before providing the BFS report to the OIG. Although CSB has a process to reconcile cardholders’ respective purchase card logs to the monthly CitiBank e-statement, with reviews by the program manager and the approving official, CSB does not consolidate the cardholder purchase card logs on a monthly or annual (fiscal year) basis. Consequently, when CSB received the original CSB FY 2016 Account Activity Report from BFS, it was unable to verify the accuracy of the report, and did not know that some of the transactions were missing.

CSB Is Compliant With OMB Split-Purchase Transaction Requirements

The CSB is compliant with the OMB and BFS split-purchase transaction requirements. During our review of the updated CSB FY 1016 Account Activity Report we looked for identical transactions and the possibility of CSB splitting purchases to avoid complying with acquisition thresholds. We found that all 26 of the newly identified transactions were identical to 19 transactions listed in the original report. Of these, we identified two separate cases where transactions appeared to possibly have been split, circumventing the current micro-purchase threshold of \$3,500. A micro-purchase is defined in 48 CFR 2.101 as “an acquisition of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold.”

A July 20, 2007, email from BFS to CSB addressed the issue of split transactions for training. According to BFS:

... individual charges can be made on your [CSB] purchase card....
We [BFS] are interpreting each micro-purchase as an individual transaction and not as a split transaction. This is due to the fact they are for different employees.

We found that CSB identified the payment for training for each individual employee as a separate transaction. Therefore, we determined that CSB was compliant with split-purchase transaction requirements.

Conclusion

CSB did not reconcile the original BFS-retrieved FY 2016 Account Activity Report transaction counts and totals to the purchase card records maintained by CSB in its financial system before providing the BFS report to the OIG. Without a reconciliation, CSB was unable to verify the accuracy of the report, and did not know that some of the transactions were missing. Based on the results of our purchase card assessment, we determined that CSB is low risk. Therefore, we plan to conduct a required annual risk assessment, in accordance with OMB M-13-21, in FY 2018.

Recommendation

We recommend that the Chairperson, U.S. Chemical Safety and Hazard Investigation Board:

1. Require that CSB review and reconcile the Bureau of the Fiscal Service Account Activity Report(s) transaction counts and totals to the purchase card records maintained by CSB in its financial system before providing the Bureau of the Fiscal Service report to the Office of Inspector General.

CSB Comments and OIG Evaluation

In response to the recommendation, CSB committed to review and reconcile all Account Activity Reports that they provide to the OIG in the future for consistency and accuracy with the purchase card records maintained by CSB. CSB's planned corrective action, scheduled for completion for our risk assessment next year, meets the intent of our recommendation. CSB's complete response to our recommendation is in Appendix A.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	4	Require that CSB review and reconcile the Bureau of the Fiscal Service Account Activity Report(s) transaction counts and totals to the purchase card records maintained by CSB in its financial system before providing the Bureau of the Fiscal Service report to the Office of Inspector General.	R	Chairperson, U.S. Chemical Safety and Hazard Investigation Board	3/31/18	

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

CSB Response

**U.S. Chemical Safety and
Hazard Investigation Board**

1750 Pennsylvania Avenue NW, Suite 910 | Washington, DC 20006
Phone: (202) 261-7600 | Fax: (202) 261-7650
www.csb.gov

Vanessa Allen Sutherland
Chairperson and Member



May 18, 2017

Mr. Randy P. Holthaus
Project Manager Efficiency Audits
Environmental Protection Agency Region 6
Office of Inspector General
1445 Ross Avenue
Dallas, TX 75202

Dear Randy,

Thank you for the opportunity to comment on your discussion document. In follow-up to our phone conversation, the problem was that the U.S. Chemical Safety and Hazard Investigation Board (CSB) did not cross check a report, Bureau of the Fiscal Services (BFS) pulled from Citibank in response to your audit request for the population of FY 2016 card activity. As a result, the CSB provided you an incomplete report and had to ask BFS to pull a second report from Citibank with additional attributes to capture the complete population. CSB acknowledges this error and to prevent it from recurring in future audits we will cross check the Citibank transaction counts and totals against a report we pull from our financial system before providing the Citibank report to the auditors.

We also talked about split purchases to keep transactions under the micro-purchase threshold and CSB's control system, which includes:

1. **Cardholder and Approving Official Training.** All cardholders and approving officials are trained on the micro-purchase threshold and that they cannot split purchases to stay within the threshold.
2. **Supervisor Reviews.** Supervisors review the monthly statements, and should flag unusual activity such as multiple transactions to the same vendor.
3. **Financial Review.** CSB's Financial Specialist reviews every purchase card and convenience check transaction. This is done both weekly as part of routine budget updates, and monthly when reviewing and approving purchase card statements.

**U.S. Chemical Safety and
Hazard Investigation Board**

4. **BFS Audit.** As part of its service agreement, BFS conducts an annual audit of CSB's purchase card program. Their review includes looking for transactions that appear to be split to stay under the micro-purchase threshold.

Our control system appears to be working. I do not recall instances where BFS or OIG audits have identified any split purchases. Therefore, I do not believe that CSB needs to take additional steps with respect to preventing split purchases.

CSB does agree, however, to assure that reports and documentation provided to the IG from our outsourcing support is reviewed more thoroughly by us to assure that the documents are complete and accurate. We agree to implement this commitment immediately, which will apply to any subsequent audits performed by the IG on CSB operations.

Finally, I am agreeable to having your team move straight to a final report on this audit topic (bypassing the Draft report stage). If the EPA IG decides to forgo making a recommendation to the CSB, we will still implement the corrective step we outlined above.

Best regards,

Vanessa Allen Sutherland

Distribution

Chairperson and Board Member, U.S. Chemical Safety and Hazard Investigation Board
Board Members, U.S. Chemical Safety and Hazard Investigation Board
Director of Administration and Audit Liaison, U.S. Chemical Safety and Hazard
Investigation Board
General Counsel, U.S. Chemical Safety and Hazard Investigation Board