



**OIG**

**Office of Inspector General**

U.S. Department of State • Broadcasting Board of Governors

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Office of Audits

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**Management Assistance Report:  
Process Used by the Department of State  
To Prepare the Joint Purchase and  
Integrated Card Violation Report  
Requires Improvement**

**MANAGEMENT ASSISTANCE REPORT**

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## Summary of Review

Pursuant to Office of Management and Budget (OMB) Memorandum M-13-21, "Implementation of the Government Charge Card Abuse Prevention Act of 2012,"<sup>1</sup> the agency head and the Inspector General of each agency with more than \$10 million in purchase card spending for the prior fiscal year are required to submit semi-annual reports of employee violations related to the use of the purchase or integrated cards and the disposition of these violations, including disciplinary actions taken. Department of State (Department) officials reported that in FY 2015, 1,744 purchase card holders made purchases totaling approximately \$113 million; therefore semi-annual reports are accordingly required.

During an audit of the Department's purchase card program, which is presently underway, the Office of Inspector General (OIG), Office of Audits, discovered that the Department's semi-annual Joint Purchase and Integrated Card Violations Reports, submitted to OMB between April 2014 and March 2017, were incomplete and untimely. Specifically, the reports contained only OIG component information and were not submitted within the 120-day requirement.

The incomplete and untimely submissions occurred, in part, because the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), had not developed and implemented a process to obtain and compile the Department-wide information needed for inclusion in the report. In addition, neither the Department nor OIG established processes to ensure that OIG reviewed the final report before the Department submitted it to OMB. As a result, the Department was not in full compliance with the requirement to report employee purchase or integrated card violations to OMB.

OIG made one recommendation to A/LM/AQM intended to help ensure that all relevant information concerning purchase and integrated card violations are reported to OMB, as required. In response to a draft of this report, A/LM/AQM concurred with the recommendation and stated that it plans to take action to address the recommendation. On the basis of A/LM/AQM's planned actions, OIG considers the recommendation resolved pending further action. A synopsis of A/LM/AQM's response to the recommendation offered and OIG's reply follow the recommendation in the Results section of this report. A/LM/AQM's response to a draft of this report is reprinted in its entirety in Appendix B. OIG notes that it is reviewing its own responsibilities and role in preparing and submitting the Joint Purchase and Integrated Card Violations Report.

## BACKGROUND

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Department officials reported that in FY 2015, 1,744 purchase card holders made purchases totaling approximately \$113 million. With such a large number of card holders and large dollar volume of transactions, any weaknesses in internal controls make the purchase card program susceptible to fraud, waste, and abuse. OIG selected the Department's purchase card program

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<sup>1</sup> This memorandum was issued on September 6, 2013.

for audit after it reviewed purchase card data from FY 2014 and concluded that the risk of illegal, improper, and erroneous use in the purchase card program was “high.”

## Reporting Requirements

Pursuant to OMB Memorandum M-13-21, beginning with FY 2013, each agency with more than \$10 million in purchase card spending during the prior fiscal year is required to submit semi-annual reports of employee violations related to the use of the purchase cards<sup>2</sup> or integrated<sup>3</sup> cards and the disposition of these violations, including disciplinary actions taken.

OMB guidance states, “At a minimum, the report shall provide the following:

- A summary description of confirmed violations involving misuse of a purchase card or integrated card, following the completion of agency or IG review.
- A summary description of all adverse personnel actions, punishment, or other actions taken in response to each reportable violation involving misuse of a purchase or integrated card.”<sup>4</sup>

OMB guidance also states, “The semi-annual Joint Purchase and Integrated Card Violation Report is to be prepared by the agency head and the [Inspector General] for submission to OMB 120 days after the end of the reporting periods (i.e., April 1 to September 30 and October 1 to March 30), beginning with the January 31, 2014 submission.”<sup>5</sup> The reports are due no later than January 31 and July 31, respectively.

The General Services Administration (GSA) developed a report template that agencies could use to report the summary of violations<sup>6</sup> to OMB. The report template is in Appendix A. The Department provided this template to OIG, which used the template to submit its information to the program office as requested for inclusion in the Department report submission. In turn, A/LM/AQM submitted the report compiled by OIG to OMB but erroneously presented it as a Department-wide summary.

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<sup>2</sup> The GSA SmartPay purchase program provides payment solutions to Federal employees to make official Government purchases for supplies, goods, and services under the micro-purchase threshold.

<sup>3</sup> The GSA SmartPay integrated account is a combination of two or more business lines on a single account.

<sup>4</sup> OMB Memorandum M-13-21, “Implementation of the Government Charge Card Abuse Prevention Act of 2012 (2013),” p. 3.

<sup>5</sup> Ibid.

<sup>6</sup> A violation would include abuse, fraud, waste, or other misuse. Abuse and fraud are as defined in the Government Accountability Office’s *Government Auditing Standards*.

## Purchase Card Program Responsibilities

The Department's purchase card program is managed by a team consisting of participants from A/LM/AQM and the Bureau of the Comptroller and Global Financial Services (CGFS). The team oversees all aspects of the purchase card program.

The Purchase Card Program Manager, an official who works within A/LM/AQM, Business Operations Division, is responsible for the worldwide management and development of the program, strategic planning, and training. The Program Manager is also the task order coordinator for the Department on behalf of the purchase, travel, and fleet card programs. Officials within A/LM/AQM, Business Operations Division, serve as Key Program Administrators and are accordingly responsible for the day-to-day administration of the purchase card program. For example, they establish new accounts, make changes to existing accounts, and oversee individual bureau and post programs. They administer the program by geographic region.

## Purposes of the Management Assistance Report and Ongoing Audit

This Management Assistance Report is intended to provide early communication of deficiencies that OIG identified during its ongoing audit of the Department's purchase card program, which is currently underway. The objective of the audit is to determine whether (1) purchase card holders used their Government card only for purchases allowed by laws and regulations; (2) purchase card holders recorded purchases, documented purchases, and reconciled monthly statements as required by Department policy; and (3) the Department administered the program in accordance with Department policies. OIG is reporting the deficiencies discussed in this Management Assistance Report in accordance with generally accepted Government auditing standards. In performing the work related to these deficiencies, OIG interviewed Bureau of Administration and OIG officials, reviewed the Department's Joint Purchase and Integrated Card Violation Reports, and reviewed applicable criteria and supporting documentation. OIG believes that the evidence obtained provides a reasonable basis for the deficiencies identified in this report. The scope of this report consisted of the semi-annual reports submitted to OMB between April 1, 2014, and March 31, 2017.

## RESULTS

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OIG determined that the Joint Purchase and Integrated Card Violation Reports that the Department submitted to OMB for reporting periods between April 2014 and March 2017 were not complete and were untimely. The incomplete and untimely submissions occurred, in part, because A/LM/AQM had not developed and implemented a process to obtain and compile the Department-wide information needed for inclusion in the report. Although OIG provided its internal report of violations to A/LM/AQM for submission to OMB, OIG did not verify that A/LM/AQM submitted a joint report in a timely manner that included both OIG's and the Department's violations to OMB. This occurred because neither the Department nor OIG

established processes to ensure that OIG reviewed the final report before the Department submitted it to OMB. As a result, the Department was not in full compliance with OMB's requirement to report employee purchase or integrated card violations.

### **Lack of Department-Wide Information Regarding Card Violations**

OMB guidance<sup>7</sup> states that an agency's Joint Purchase and Integrated Card Violation Reports should include confirmed violations involving misuse of a purchase card and a summary description of all adverse personnel actions taken in response to each reportable violation. The report should be prepared by the agency head and OIG. In addition, according to the General Services Administration's "Common Questions for Public Law 112-194"<sup>8</sup> and OMB Memorandum M-13-21, agency/organization program coordinators<sup>9</sup> need to ensure that appropriate communication channels are established between the card programs and Human Resources offices. These communications channels can be used to facilitate needed changes to policies and procedures related to employee sanctions for card usage violations. Such channels should also be established to facilitate joint violation reporting requirements between card programs, OIG, and Human Resources offices.

OIG found that purchase card violations were not always reported to OMB in the Joint Purchase and Integrated Card Violation Reports. For example, in April 2015, an Assistant Regional Security Officer in the Bureau of Diplomatic Security identified purchase card fraud at a post in Africa in which 580 Amazon transactions, mainly cell phones worth approximately \$365,000, were improperly purchased. The purchase card fraud resulted in the termination of five locally employed staff. However, this information was not included in the semi-annual reports submitted to OMB for the period between April and September 2015. OIG concluded that this information was not reported, in part, because A/LM/AQM had not developed and implemented a process to obtain and compile the Department-wide information concerning the misuse of purchase card or integrated card and adverse personnel actions taken in response to each reportable violation. The program manager sent the report template to OIG requesting the information. According to the program manager, once she received the report from OIG, she would ask the Key Program Administrators if they had anything to add; if so, she entered that information and submitted it to OMB. The report template was not sent to other Department posts or bureaus for their information on violations.

### **Untimely Submissions of Purchase Card Semi-Annual Violations Report**

OMB guidance<sup>10</sup> states that agencies should submit the Joint Purchase and Integrated Card Violation Report to OMB 120 days after the end of the reporting periods (that is, the report that

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<sup>7</sup> Ibid.

<sup>8</sup> Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act).

<sup>9</sup> The Agency/Organization Program Coordinator is the primary liaison with the bank that issued the card. The Program Coordinator also reports fraud and delinquency issues to management.

<sup>10</sup> Memorandum M-13-2, pg. 3.

covers the period April 1 to September 30 would be due by January 31 of the following year, while the report that covers the period October 1 to March 30 would be due by July 31).<sup>11</sup> OIG found that the Department did not submit the semi-annual reports within required deadlines, as shown in Table 1.

**Table 1: Semi-Annual Reports Submitted to OMB Between April 2014 and March 2017**

Dates Covered	Due Date	Uploaded to OMB	Months Overdue
April 1 - September 30, 2014	January 31, 2015	December 18, 2015	9
October 1, 2014 - March 31, 2015	July 31, 2015	December 18, 2015	4
April 1, 2015 - March 31, 2016*	January 31, 2015 and July 31, 2016	February 9, 2017	24 6
April 1 - September 30, 2016	January 31, 2017	March 9, 2017	1
October 1, 2016 - March 31, 2017	July 31, 2017	Not Uploaded	4

\*The Department should have submitted two reports for this period, but it submitted only one.

Source: OIG generated based on data obtained from OMB's information-sharing IT website known as "OMB MAX."

### Lack of Reporting Process

Although the semi-annual Joint Purchase and Integrated Card Violation Report is to be prepared by the agency head<sup>12</sup> and the Inspector General for submission to OMB 120 days after the end of the reporting periods (that is, April 1 to September 30 and October 1 to March 31),<sup>13</sup> A/LM/AQM had not established a process to ensure that the report contained all relevant information and was submitted 120 days after the end of the reporting periods.

An A/LM/AQM purchase card program official stated that the Department does not currently have a process to collect and report information regarding purchase and integrated card violations from all Department bureaus and offices. In addition, this same purchase card program official said that she believed that the input provided by OIG regarding card violations included all reportable violations Department-wide.<sup>14</sup> However, the input provided by OIG to A/LM/AQM for the semi-annual report contained violations pertaining only to internal OIG purchase card violations and violations referred to the OIG for investigation and not those independently identified and addressed by Department bureaus and offices. To fully comply with the OMB reporting requirements, all information throughout the Department must be reported to OMB. There was no explanation from AQM as to why its personnel would have believed that OIG compiled information on behalf of the entire Department.

<sup>11</sup> Ibid.

<sup>12</sup> The Secretary has delegated this authority to the Director of the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management.

<sup>13</sup> Memorandum M-13-21, p. 3.

<sup>14</sup> OIG notes, however, that some of the Department's communications in the course of requesting OIG's input suggested that the Department intended to add information from other sources as well.

Moreover, neither the Department nor OIG had a process to ensure that OIG reviewed the final report before it was submitted to OMB. Had such a process been in place, OIG could have identified the fact that the information was potentially incomplete. OIG notes that it is reviewing its own internal processes to ensure that it fulfills its obligations with respect to these reporting requirements.

## CONCLUSION

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The purpose of the semi-annual Joint Purchase and Integrated Card Violation Report to OMB is to disclose employee violations related to the use of the purchase or integrated cards and the disposition of those violations, including disciplinary actions taken. Currently, the Department is not complying with this OMB requirement. OIG is therefore making a recommendation to help ensure all relevant information concerning purchase and integrated card violations is reported to OMB, as required.

**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a process to collect and report in a timely manner all relevant information pertaining to purchase and integrated card violations, as required by Office of Management and Budget Memorandum M-13-21. The process should include a review by OIG of the report before it is submitted to Office of Management and Budget because the statute and OMB guidance call for a joint report from the agency head and the inspector general.

**Management Response:** A/LM/AQM concurred with the recommendation, stating that it, in coordination with OIG, would develop and implement a process to collect and report information pertaining to OMB Memorandum M-13-21. A/LM/AQM further stated that it would provide, in its next compliance update, milestones for implementing the recommendation and documentation of steps taken.

**OIG Reply:** On the basis of A/LM/AQM's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts evidence demonstrating that A/LM/AQM has developed and implemented a process to collect and report information pertaining to OMB Memorandum M-13-21.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a process to collect and report in a timely manner all relevant information pertaining to purchase and integrated card violations, as required by Office of Management and Budget Memorandum M-13-21. The process should include a review by OIG of the report before it is submitted to Office of Management and Budget because the statute and OMB guidance call for a joint report from the agency head and the inspector general.

## APPENDIX A: JOINT PURCHASE AND INTEGRATED CARD VIOLATION REPORT TEMPLATE

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### SEMI-ANNUAL REPORT on PURCHASE CHARGE CARD VIOLATIONS

COMPONENT: U.S. Department of (NNN) (NNN)

PURCHASE CARD VIOLATION DATA		
<b>I. Summary description of confirmed violations involving misuse of a purchase card or integrated card.</b>	<b>1 APR - 30 SEP FY 2013</b>	<b>1 OCT - 30 MAR FY 2014</b>
a. Abuse*		
b. Fraud*		
c. Other loss, waste, or misuse		
<b>II. Summary description of all adverse personnel actions, punishment, or other actions taken in response to each reportable violation involving misuse of a purchase or integrated card.**</b>	<b>1 APR - 30 SEP FY 2013</b>	<b>1 OCT - 30 MAR FY 2014</b>
a. Documentation of Counseling	0	0
b. Demotion	0	0
c. Reprimand	0	0
d. Suspension	0	0
e. Removal	0	0
f. Other	0	0
<b>III. Status of all pending violations.</b>	<b>1 APR - 30 SEP FY 2013</b>	<b>1 OCT - 30 MAR FY 2014</b>
a. Number of violations pending investigation	0	0
b. Number of violations pending hearing	0	0
c. Number of violations pending final agency action	0	0
d. Number of violations pending decision on appeal	0	0

\*Terms used are defined in the Government Accountability Office's *Government Auditing Standards* at <http://www.gao.gov/yellowbook>.

\*\* This summary is for adverse personnel actions, not for administrative errors.

APPENDIX B: THE BUREAU OF ADMINISTRATION, OFFICE OF LOGISTICS MANAGEMENT, OFFICE OF ACQUISITIONS MANAGEMENT RESPONSE

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United States Department of State

Washington, D.C. 20520

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January 31, 2018

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/LM – Jennifer A. McIntyre 

SUBJECT: Draft Report – *Management Assistance Report: Process Used by the Department of State To Prepare the Joint Purchase and Integrated Card Violation Report Requires Improvement* (AUD-CGI-18-XX)

Thank you for the opportunity to provide our comments on the subject draft OIG Management Assistance Report.

**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management develop and implement a process to collect and report in a timely manner all relevant information pertaining to purchase and integrated card violations, as required by Office of Management and Budget Memorandum M-13-21. The process should include a review by OIG of the report before it is submitted to Office of Management and Budget because the statute and OMB guidance call for a joint report from the agency head and the inspector general.

**Management Response to Draft Report (01/31/2018):** The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (AQM) concurs with the recommendation. AQM, in coordination with the OIG, will develop and implement a process to collect and report information pertaining to OMB's Memorandum M-13-21. In its next compliance update, AQM will provide milestones for implementing the recommendation and documentation of steps taken.

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Approved by: A/LM – Jennifer A. McIntyre

Drafter: A/LM/AQM Margaret Colaianni, 703-516-1688

Cleared:	A/FO:	JRizzoli	(ok)
	A/LM/AQM:	RBouford, Acting	(ok)
	M:	JBucca	(ok)
	M/PRI:	SCimino	(ok)
	OIG:	CAlix	info
	A/EX:	JMcGuire	info by request

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