



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

January 27, 2020

The Honorable Mick Mulvaney
Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Director Mulvaney:

This letter presents the results of our risk assessment of the Federal Trade Commission's (FTC) charge card program (collectively, purchase cards, travel cards, and centrally billed accounts). The objective of our assessment was to identify and analyze the risk of illegal, improper, or erroneous purchases and payments in order to determine the scope, frequency, and number of periodic audits of charge card transactions.

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act),¹ as implemented by Office of Management and Budget (OMB) Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*, requires Inspectors General of executive agencies with more than \$10,000,000 in annual purchase card and/or travel card spending to conduct periodic assessments of agency purchase card, convenience check, and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments. Offices of Inspectors General use these risk assessments to determine the necessary scope, frequency, and number of audits or reviews of these programs.

The FTC's purchase card program allows the agency to streamline the federal procurement processes through a low-cost, efficient means of attaining goods and services directly from merchants. The FTC contracts with Citibank for all credit card services. Typically, purchase cards are used for transactions of up to \$3,500, or less than the micro-purchase threshold. Purchase cards are centrally billed accounts, meaning liability for all purchases rests with the FTC.

FTC travel cards are billed to individual travelers, meaning liability for purchases rests with individual cardholders. As the FTC is not obligated to pay the balance for travel card transactions, travel cards inherently carry less risk than purchase cards.

¹ Public Law 112-194.

The FTC's travel card program, managed under the General Service Administration's SmartPay program and in conjunction with Citibank, provides FTC employees with charge cards to pay for travel related expenses, such as lodging, meals and incidentals while on official temporary duty travel.

We included purchase cards and travel cards in our fiscal year 2019 assessment of the FTC Charge Card program. Our assessment included a risk-based examination of charge card transaction activity, a limited review of program controls, and an evaluation of the FTC's charge card policy.

Objective, Scope and Methodology

We conducted this risk assessment to establish the risk of illegal, improper, and erroneous use of the FTC's purchase card program and to recommend the scope, frequency, and number of audits that should be conducted based on the aforementioned risk assessment. Our review covered controls over purchase and travel card transactions occurring in FY 2019 (October 1, 2018 – September 30, 2019).

We performed the following tests on FY 2019 purchase card transactions:

- examined relevant criteria, including public laws, and Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*;
- reviewed charge card program controls including FTC policies and procedures;
- reviewed prior audits and oversight projects involving the FTC Charge Card program to review any outstanding recommendations;
- performed trend analyses of cardholder spending for FY 2019 purchase card transactions;
- selected a sample of transactions to determine whether purchase card transactions were fully supported and in compliance with required regulations;
- selected a sample of transactions to determine whether travel card transactions were fully supported and in compliance with required regulations; and
- selected a sample of purchase cardholder accounts and tested monthly activity against purchase limitations.

Results

Based on our risk assessment of FY 2019 activity, the OIG has identified the FTC charge card program's risk level as low. This assessment is based on our review of FTC charge card policies and procedures and the results of our assessment that examined certain purchase and travel card transactions processed and approved during FY 2019.

The OIG observed that the FTC has policies and procedures in place to address the Charge Card Act requirements regarding the management of its purchase and travel card programs. The OIG also observed that the FTC has controls in place addressing the oversight of its charge card programs. As a result, for FY 2019, we assessed the risk of illegal, improper, and erroneous purchases made through the FTC's purchase card program as low. We do not plan to conduct an audit of the program in FY 2020.

We identified other conditions not affecting the results of this assessment that we will share in a separate communication to FTC management.

The OIG appreciates the cooperation and courtesies extended to us by the Financial Management Office during the course of this assessment. If you have any questions or concerns regarding this report, please contact me at (202) 326-3527 or by email at akatsaros@ftc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Katsaros", with a long horizontal flourish extending to the right.

Andrew Katsaros
Inspector General