



Office of Inspector General

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

January 28, 2021

Robert Fairweather  
Acting Director  
Office of Management and Budget  
725 17th Street, NW  
Washington, DC 20503

Dear Acting Director Fairweather:

This letter presents the results of our risk assessment of the Federal Trade Commission's (FTC) charge card program for fiscal year (FY) 2020 (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)<sup>1</sup>, 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 \$10,000,000 in 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.

As background, the FTC's purchase card program allows the agency to streamline 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. The FTC uses purchase cards for transactions up to \$3,500.<sup>2</sup> Purchases on FTC purchase cards are billed to FTC's central accounts, and the FTC retains liability for all purchases.

The FTC travel card program, managed under GSA SmartPay3 and in conjunction with Citibank,

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<sup>1</sup> Pub. L. No. 112-194, 126 Stat. 1445 (2012) (codified at 5 U.S.C. 5701 note; 10 U.S.C. § 2784; 41 U.S.C. § 1909).

<sup>2</sup> The Federal Acquisition Regulations (FAR) sets the federal micro-purchase threshold at \$10,000, with some exceptions, for acquisitions of supplies or services using simplified acquisition procedures. 48 C.F.R. § 2. The FTC, however, sets its threshold lower at \$3,500, unless an exception applies. FTC Manual Ch. 2 § 310, *Purchase Card Program*.

provides FTC employees with charge cards to pay for travel-related expenses, such as lodging, meals and incidentals while on official temporary duty travel (TDY). Unlike purchase cards, FTC travel cards are billed to individual travelers and all liability for purchases on travel cards rests with individual cardholders. As the FTC is not obligated to pay the balance for travel card transactions, travel cards inherently carry less risk to the government than purchase cards.

We included both purchase cards and travel cards in our FY 2020 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 2020 (October 1, 2019 – September 30, 2020).

We performed the following tests on FY 2020 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, oversight projects, and outstanding recommendations involving the FTC Charge Card program;
- performed trend analyses of cardholder spending for FY 2020 purchase card transactions;
- selected a judgmental sample of transactions to determine whether purchase card transactions were fully supported and in compliance with required regulations (*see* Table 1 below);
- selected a judgmental sample of transactions to determine whether travel card transactions were fully supported and in compliance with required regulations (*see* Table 2 below); and
- selected a judgmental sample of purchase cardholder accounts and tested monthly activity against purchase limitations.

Tables 1 and 2 below show the total population of FTC transactions and the transactions that the OIG reviewed.

**Table 1. FY 2020 FTC Purchase Card Transactions by Size**

Strata	Total Population		Amount OIG Reviewed	
	Transactions	Amount	Transactions	Amount
>\$3,500	89	\$ 566,166	3	\$ 34,700
\$1,000-3,500	469	971,982	2	4,953
<\$1,000	2,175	323,782	-	-
<b>Total</b>	<b>2,733</b>	<b>\$ 1,861,930</b>	<b>5</b>	<b>\$ 39,653</b>

**Table 2: FY 2020 Travel Card Transactions**

Total Population		Amount OIG Reviewed	
Transactions	Amount	Reviewed	Amount
526	\$ 725,304	5	\$ 5,006

**Results**

Based on our risk assessment of FY 2020 activity, the OIG has identified the FTC charge card program’s overall risk level, including of illegal, improper, and erroneous purchases made through the FTC’s purchase card program, as low. This assessment is based on our review of FTC charge card policies and procedures and the results of our assessment that examined purchase and travel card transactions processed and approved during FY 2020. We also 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. We do not plan to conduct an audit of the program in FY 2021.

The OIG appreciates the cooperation and courtesies extended to us by the FTC 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](mailto:akatsaros@ftc.gov).



Andrew Katsaros  
Inspector General