

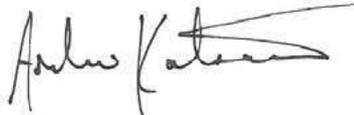


UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION  
WASHINGTON, D.C. 20580

Office of Inspector General

February 28, 2019

**MEMORANDUM**

**FROM:** Andrew Katsaros  
Inspector General 

**TO:** David Robbins  
Executive Director

**SUBJECT:** Fiscal Year 2018 Risk Assessment of the FTC's Charge Card Program

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), as implemented by Office of Management and Budget (OMB) Memorandum M-13-21, requires Inspectors General to conduct periodic risk assessments of agency purchase cards, combined integrated card programs and travel card programs to analyze the risks of illegal, improper, or erroneous purchases. Offices of Inspectors General use these risk assessments to determine the necessary scope, frequency, and number of audits or reviews of these programs.

The purchase card program allows the Federal Trade Commission (FTC) 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. In fiscal year (FY) 2018, the FTC used its purchase cards for goods and services totaling \$1,835,223. Exhibit 1 identifies these purchases by size along with a summary of transactions the OIG judgmentally selected for testing.

**Exhibit 1. Fiscal Year 2018 Purchase Card Transactions by Size**

| Strata            | Total Population |                    | Reviewed     |                  |
|-------------------|------------------|--------------------|--------------|------------------|
|                   | Transactions     | Amount             | Transactions | Amount           |
| >\$3,500          | 10               | \$ 69,422          | 2            | \$ 24,905        |
| \$3,500 - \$1,000 | 637              | 1,208,259          | 10           | 32,025           |
| <\$1,000          | 3,111            | 557,542            | 3            | 718              |
| <b>Total</b>      | <b>3,758</b>     | <b>\$1,835,223</b> | <b>15</b>    | <b>\$ 57,648</b> |

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. Exhibit 2 summarizes fiscal year 2018 travel card activity along with a summary of travel card transactions the OIG judgmentally selected for testing.

**Exhibit 2: Fiscal Year 2018 Travel Card Transactions**

| Total Population |              | Reviewed |           |
|------------------|--------------|----------|-----------|
| Transactions     | Amount       | Reviewed | Amount    |
| 2,529            | \$ 2,292,966 | 10       | \$ 20,167 |

The FTC travel card program, managed under GSA SmartPay2 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 (TDY).

We included purchase cards and travel cards in our fiscal year 2018 assessment of the FTC Charge Card program. Our assessment included a risk-based examination of charge card transaction activity, a limited review of program internal controls, and an evaluation of the FTC’s charge card policy.

**Objective, Scope and Methodology**

The objective of this review was to determine whether the FTC’s charge card program (i.e., purchase card and travel card) controls are effectively designed and operating to prevent or identify instances of improper expenses and payments. Our review covered controls over purchase and travel card transactions occurring in FY 2018 (October 1, 2017–September 30, 2018).

We performed the following tests on FY 2018 purchase card transactions:

- examined relevant criteria, including public laws, OMB M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, and FTC directives;
- 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 2018 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 2018 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 purchase and travel card transactions processed and approved during FY 2018.

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 2018, we assessed the risk of illegal, improper, and erroneous purchases made through the FTC's purchase card program as low.

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](mailto:akatsaros@ftc.gov).