

**Fiscal Year 2016
Audit of the DHS Bankcard
Program Indicates Moderate
Risk Remains**





DHS OIG HIGHLIGHTS

Fiscal Year 2016 Audit of the DHS Bankcard Program Indicates Moderate Risk Remains

March 06, 2018

Why We Did This Audit

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires the Office of Inspector General to conduct an annual risk assessment and periodic audits on agency charge card programs. We conducted this audit to determine whether the Department of Homeland Security implemented internal controls to prevent illegal, improper, and erroneous purchases and payments.

What We Recommend

We made four recommendations that, when implemented, should help improve internal controls within the United States Coast Guard's Purchase Card Program and Customs and Border Protection's (CBP) Fleet Card Program.

For Further Information:

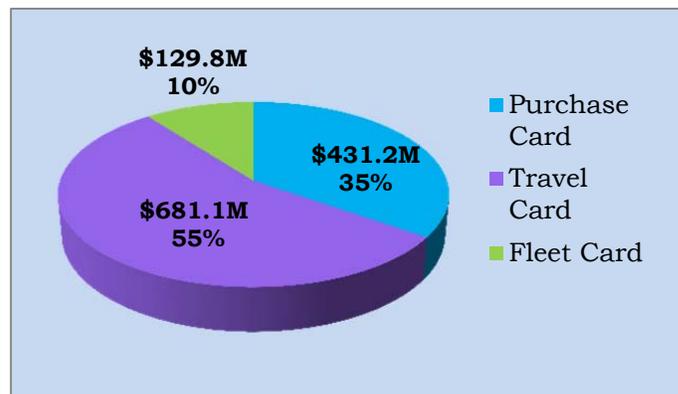
Contact our Office of Public Affairs at (202) 254-4100, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

During fiscal year 2016, DHS reported spending approximately \$1.2 billion in purchase, travel, and fleet card transactions.

Although the Department has established internal controls for its charge card programs, the components we reviewed did not always follow DHS' procedures. Our testing results of purchase, travel, and fleet card transactions revealed internal control weaknesses. Specifically, we found major internal control weaknesses that persisted at the United States Coast Guard and some control weaknesses within CBP's Fleet Card Program. As a result, there is moderate risk that DHS' internal controls over its charge card programs may not prevent illegal, improper, or erroneous purchases and payments.

FY 2016 DHS Spend Data by Card Type



DHS Response

The Department concurred with all four recommendations and has already begun implementing corrective actions.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

MAR 6 2018

MEMORANDUM FOR: The Honorable Claire M. Grady
Under Secretary for Management

FROM: John V. Kelly 
Acting Inspector General

SUBJECT: *Fiscal Year 2016 Audit of the DHS Bankcard Program
Indicates Moderate Risk Remains*

For your action is our final report, *Fiscal Year 2016 Audit of the DHS Bankcard Program Indicates Moderate Risk Remains*. We incorporated the formal comments provided by your office.

The report contains four recommendations aimed at improving DHS' Bankcard Program. Your office concurred with all four recommendations. Based on information provided in your response to the draft report, we consider all four recommendations open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact John E. McCoy II, Assistant Inspector General for Audits, at (202) 254-4100.



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Background

On October 5, 2012, the President signed into law the *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act or Act), Pub. L. No. 112-194, which reinforced the Administration's efforts to prevent waste, fraud, and abuse of government-wide charge card programs. The *Charge Card Act* requires all executive branch agencies ("agencies") to establish and maintain safeguards and internal controls for purchase cards, travel cards, and centrally billed accounts.

Under the *Charge Card Act* and Office of Management and Budget (OMB) Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, the Inspector General (IG) of each executive agency is required to conduct periodic risk assessments of agency purchase cards (including convenience checks¹), combined integrated card programs, and travel card programs to analyze the risks of illegal, improper, or erroneous purchases and payments. IGs will use these risk assessments to determine the necessary scope, frequency, and number of IG audits or reviews of these programs. This report satisfies the periodic audit and annual risk assessment for fiscal year 2016.

The Bankcard Program, within DHS' Office of the Chief Financial Officer, administers and oversees the purchase, travel, and fleet card programs. These card programs provide the Department with an efficient method for making small purchases, as well as other numerous benefits. For example, the Purchase Card Program provides an efficient, low-cost procurement and payment mechanism to acquire goods and services, which streamlines traditional Federal procurement and payment processes. Similarly, the Travel Card Program streamlines the payment and reimbursement processes for official travel expenses by reducing administrative costs, which saves taxpayers dollars. The Travel Card Program uses two types of accounts:

- Individually Billed Accounts (IBA): Employees with individually billed cards are responsible for all charges incurred on their monthly credit card statements.
- Centrally Billed Accounts (CBA): Components establish centrally billed accounts to purchase transportation tickets for individuals who do not have an IBA.

¹ Convenience checks are checks written on a purchase card account within established dollar limits for products or services when a vendor does not accept the Government charge card.



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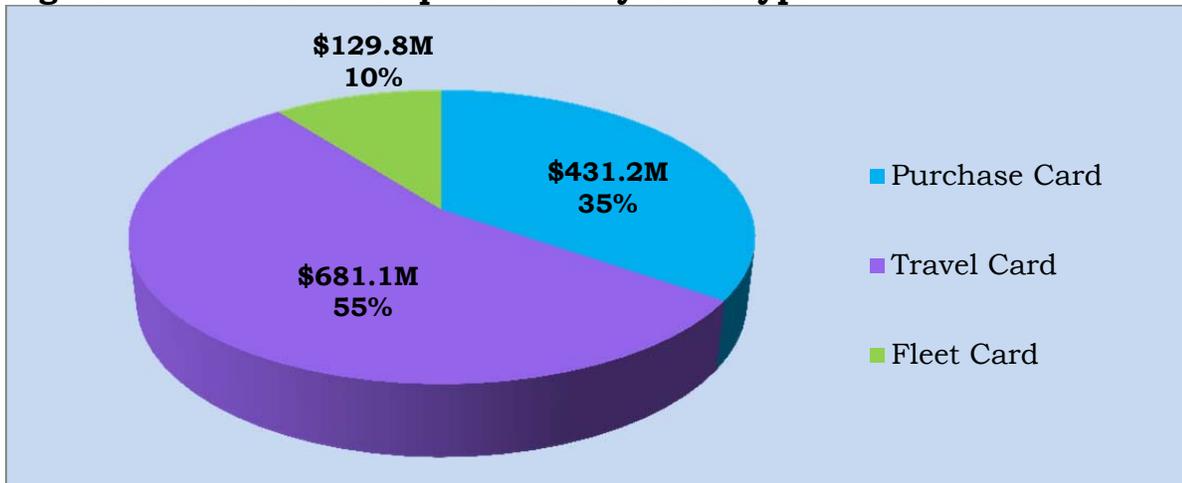
The Travel Card Program IBAs place the financial risk on the individual traveler, because the Department is not responsible for charges.

Lastly, DHS uses the Fleet Card Program² to procure fuel, as well as maintenance and repairs for DHS vehicles. The program allows DHS to collect detailed fleet management data regarding fuel, related maintenance, and service procurements.

During FY 2016, DHS reported spending approximately \$1.2 billion in purchase, travel, and fleet card transactions. Our audit reviewed the United States Coast Guard's (Coast Guard) Purchase Card Program, Transportation Security Administration's (TSA) Travel Card Program (IBA only³), and Customs and Border Protection's (CBP) Fleet Card Program. DHS reported almost 1.6 million transactions totaling approximately \$381.6 million across these three component programs.

Figure 1 shows the FY 2016 DHS spend data for each card type while figure 2 shows the component spending for each of the three card programs reviewed. Additionally, appendix B shows the breakdown of spending for all components by card type.

Figure 1: FY 2016 DHS Spend Data by Card Type



Source: DHS Office of Inspector General (OIG) analysis of *FY 2016 DHS Spend Data Report*

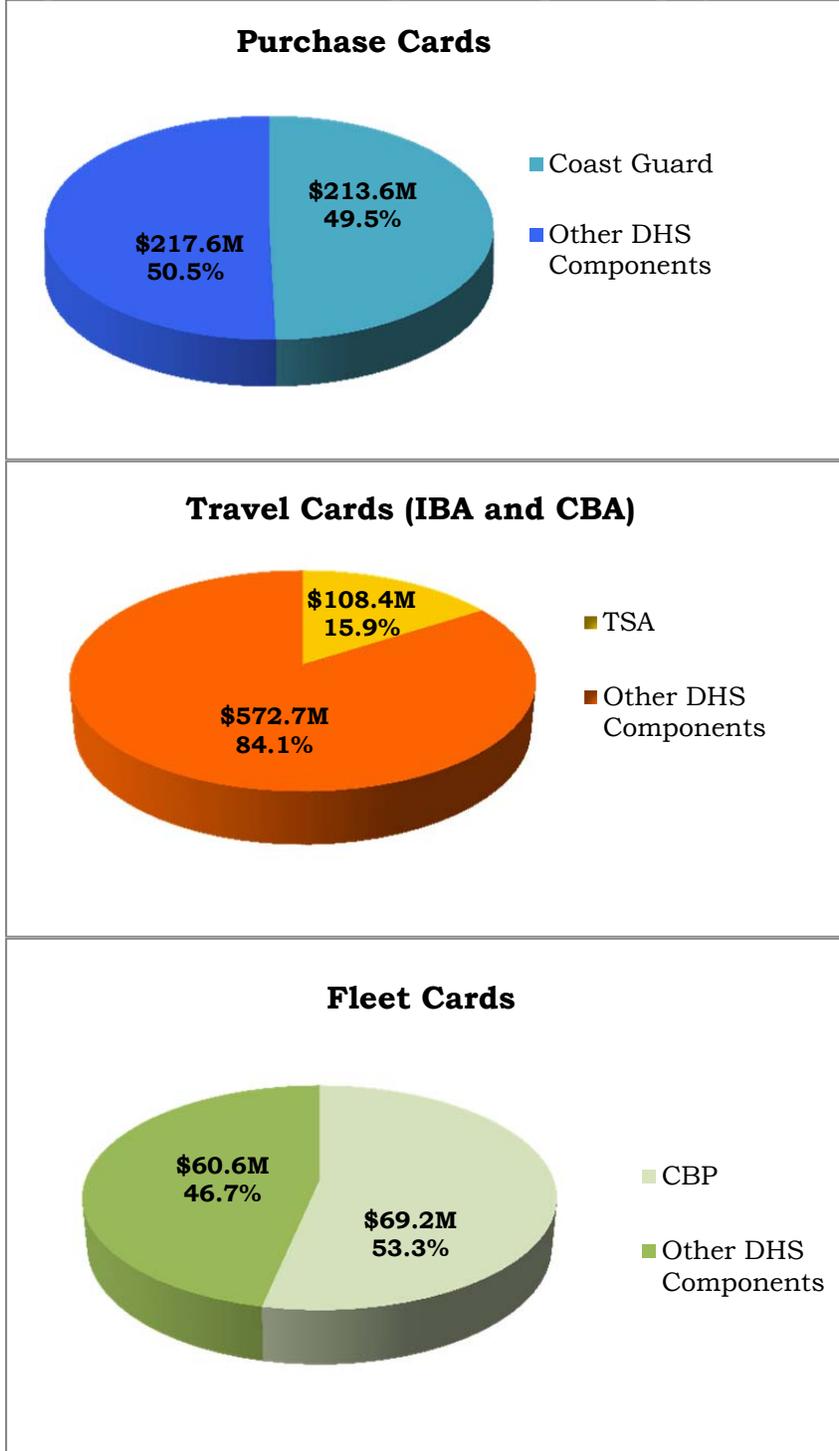
² We included a review of the Fleet Card Program as part of our audit; the *Charge Card Act* does not require a review of fleet card programs.

³ TSA IBA travel card transactions totaled approximately \$98.7 million.



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Figure 2: FY 2016 Component Spending by Card Type



Source: DHS OIG analysis of FY 2016 DHS Spend Data



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Results of Audit

Although the Department has established internal controls for its charge card programs, the components we reviewed did not always follow DHS' procedures. Our testing results of purchase, travel, and fleet card transactions revealed internal control weaknesses. Specifically, we found major internal control weaknesses that persisted at the United States Coast Guard and some control weaknesses within CBP's Fleet Card Program. As a result, there is moderate risk that DHS' internal controls over its charge card programs may not prevent illegal, improper, or erroneous purchases and payments.

DHS Oversight of Component Charge Card Programs

Although DHS oversight of the Bankcard Program was generally sufficient, we identified minor deficiencies in the DHS Charge Card Management Plan. OMB Circular A-123 requires agencies to develop and maintain charge card management plans consisting of policies and procedures for the appropriate use of charge cards. The circular also identifies specific elements (i.e., identification of key management officials and management controls, policies, and practices) that agencies should include in their management plans. However, the DHS plan does not reference penalties for fraud or other charge card misuse, or the verification of travel-related common carrier requests for refunds. It also does not include internal controls to prevent an individual from being reimbursed for charges already paid by the Government.

Although the management plan will need to be updated to address these deficiencies, there is no apparent lack of oversight resulting from the missing information because these elements are covered in other bankcard program manuals.

Coast Guard Compliance with the DHS Purchase Card Manual

In FY 2016, the Coast Guard failed to comply with requirements established in the *DHS Purchase Card Manual* as noted in prior OIG reports.⁴ Similar to prior reviews, we identified internal control weaknesses. We reviewed purchase card transactions to determine whether the charges agreed with the supporting documentation, and whether cardholders received proper approvals prior to the date of the purchase. We also reviewed the transactions for compliance with

⁴ *Fiscal Year 2015 Assessment of the DHS Bank Card Program Indicates Moderate Risk* (OIG-16-129); *Fiscal Year 2014 Assessment of DHS Charge Card Program Indicates Moderate Risk Remains* (OIG-15-117)



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Attachment: DHS Management Response to Recommendations Contained in 16-087-AUD-DHS

OIG recommended that the Assistant Director for Bankcard and Review, DHS Office of the Chief Financial Officer (OCFO):

Recommendation 1: Implement a tier system of violations for approving officials within Coast Guard's Purchase Card Program.

Response: Concur. The DHS OCFO Bankcard and Review Branch will develop a tiered system of violations for approving officials that will apply Department-wide. Once the new requirements are finalized, the DHS OCFO will require Components to implement and enforce the new guidance within 60 days of notification. ECD: May 31, 2018.

Recommendation 2: Allow Coast Guard to update its version of the Purchase Card Transaction Worksheet and accompanying instructions to be more intuitive for the cardholder.

Response: Concur. On September 6, 2017, the DHS OCFO Bankcard and Review Branch provided authorization for the U.S. Coast Guard to update its version of the Purchase Card Transaction Worksheet and accompany instructions to be more intuitive and user friendly. The additional guidance and instructions that will assist cardholders in areas where this audit identified shortcomings. ECD: May 31, 2018.

Recommendation 3: Require the Coast Guard to enhance the training for the Purchase Card Program by providing more frequent, relevant training courses geared toward the Coast Guard mission.

Response: Concur. On September 6, 2017, the DHS OCFO Bankcard and Review Branch directed the U.S. Coast Guard to develop more enhanced training for its Purchase Card Program. The U.S. Coast Guard will partner with the DHS OCFO through the DHS Office of the Chief Procurement Officer to strengthen training requirements. The U.S. Coast Guard will require this training in addition to the Department's bi-annual training requirement. To the greatest extent possible, the U.S. Coast Guard will conduct this training in a classroom setting. ECD: May 31, 2018.

Recommendation 4: Ensure that Customs and Border Protection (CBP) fleet card holders are performing the required monthly verification of charges.

Response: Concur. The DHS OCFO's Bankcard and Review Branch will issue revised Fleet Card policy with updated guidance on the "review and approve" process. In addition, we will modify the Post Payment Audit process to ensure that CBP is performing the required monthly verification of charges. ECD: May 31, 2018.



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Appendix B
FY 2016 Component Spend Data by Card Type

Component	Purchase	Travel	Fleet
Domestic Nuclear Detection Office	\$ 117,184	\$ 753,876	N/A
Federal Law Enforcement Training Center	\$ 3,823,778	\$ 2,073,679	\$ 736,205
Headquarters	\$ 2,938,253	\$ 2,573,095	\$ 30,195
Office of Intelligence and Analysis	\$ 802,925	\$ 1,798,388	N/A
Immigration and Customs Enforcement	\$ 31,029,709	\$ 85,011,817	\$ 34,990,421
United States Secret Service	\$ 12,626,807	\$ 79,521,297	\$ 10,125,887
Office of Health Affairs	\$ 188,786	\$ 319,531	N/A
Federal Emergency Management Agency	\$ 9,358,343	\$ 162,531,088	\$ 2,194,186
National Protection and Programs Directorate	\$ 3,811,956	\$ 13,016,443	\$ 212,109
Transportation Security Administration	\$ 41,239,798	\$ 108,384,368	\$ 1,507,939
U.S. Citizenship and Immigration Services	\$ 16,992,654	\$ 26,930,758	\$ 186,485
Science and Technology Directorate	\$ 1,883,173	\$ 2,206,771	\$ 8,798
Office of Biometric Identity Management	\$ 87,454	N/A	N/A
Customs and Border Protection	\$ 92,573,096	\$ 106,195,061	\$ 69,239,047
Operations Directorate	\$ 137,054	\$ 117,601	N/A
United States Coast Guard	\$ 213,602,882	\$ 89,632,828	\$ 10,564,339
Total	\$ 431,213,852	\$ 681,066,601	\$ 129,795,611

Source: DHS OIG compilation of DHS FY 2016 Spend Data



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Appendix C
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