

**DHS Components Did Not
Always Adhere to Internal
Control Policies and
Procedures for Ensuring
That Bankcard Program
Spending Limits Are
Established Based on
Procurement Needs**





OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

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

July 21, 2023

MEMORANDUM FOR: Stacy Marcott
Senior Official Performing the Duties of the Chief
Financial Officer
Department of Homeland Security

FROM: Joseph V. Cuffari, Ph.D. JOSEPH V
Inspector General CUFFARI

SUBJECT: *DHS Components Did Not Always Adhere to Internal
Control Policies and Procedures for Ensuring That
Bankcard Program Spending Limits Are Established
Based on Procurement Needs*

Digitally signed by
JOSEPH V CUFFARI
Date: 2023.07.20
16:20:34 -04'00'

For your action is our final report, *DHS Components Did Not Always Adhere to Internal Control Policies and Procedures for Ensuring That Bankcard Program Spending Limits Are Established Based on Procurement Needs*. We incorporated the formal comments provided by your office.

The report contains three recommendations aimed at improving DHS' oversight of the Bankcard Program. Your office concurred with all three recommendations. Based on information provided in your response to the draft report, we consider the 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. 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 questions, or your staff may contact Kristen Bernard, Acting Deputy Inspector General for Audits, at (202) 981-6000.

Attachment



DHS OIG HIGHLIGHTS

DHS Components Did Not Always Adhere to Internal Control Policies and Procedures for Ensuring That Bankcard Program Spending Limits Are Established Based on Procurement Needs

July 21, 2023

Why We Did This Audit

The Government Charge Card Abuse Prevention Act of 2012 requires the Office of Inspector General to conduct periodic risk assessments and audits of agency charge card programs. We conducted this audit to determine to what extent DHS components implemented internal controls for ensuring Bankcard Program spending limits are established based on procurement needs.

What We Recommend

We made three recommendations to improve DHS oversight of the Bankcard Program.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

What We Found

Although the Department of Homeland Security and its components implemented internal controls to ensure Bankcard Program spending limits are established based on procurement needs, components did not always adhere to internal control policies and procedures. Of the 787 bankcard cardholder accounts reviewed, all purchase and fleet cardholder accounts had issues in one or more key internal control areas, such as documenting the determination of procurement needs, decision authority, and oversight activities.

These issues occurred because of various changes in key management roles, outdated policies, component-level interpretation of guidance, and non-retention and inconsistent storage of supporting documents.

Without adherence to established policies and procedures, there is an increased risk of material loss and vulnerability to fraud. Overall, the Department may have less assurance that the controls in place are effective in meeting its Bankcard Program goals and requirements, resulting in weakened program management and less informed decisions.

DHS Response

DHS concurred with all three recommendations. Appendix A contains DHS' management response in its entirety.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Background

The *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law 112-194, reinforced efforts to prevent waste, fraud, and abuse of government-wide charge card programs. As specified in the Office of Management and Budget Circular No. A-123, Appendix B,¹ “the Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts.” It also requires the Inspector General of each executive agency 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. Inspectors General are to use these risk assessments to determine the necessary scope, frequency, and number of audits or reviews of these programs. This audit satisfies the periodic audit and risk assessment for fiscal year 2021.

The Department of Homeland Security Bankcard Program is under the authority of the DHS Office of the Chief Financial Officer (OCFO) and includes the Purchase Card and Fleet Card Programs. The DHS Chief Financial Officer (CFO) is responsible for establishing and maintaining a system of internal controls to ensure effective, efficient, and proper use of purchase and fleet cards. DHS established and implemented Purchase and Fleet Card Program guidance, but components are also required to develop and implement procedures and internal controls to ensure compliance with department-level requirements. Components are authorized to develop policy guidance and internal controls that are more stringent than those established by DHS policy, not requirements that are more flexible or lenient. The DHS CFO (Financial Management Division) Agency Program Coordinator for the Purchase and Fleet Card Programs is responsible for overseeing the programs and ensuring policy reflects current Government requirements and practices. The Component Primary Organization Program Coordinator is responsible for managing the programs at the component level. The Component Primary Organization Program Coordinator also serves as the designated point of contact for the Agency Program Coordinator on all Purchase and Fleet Card Program matters.

On May 31, 2018, the DHS Chief Procurement Officer (CPO) and the Acting CFO issued a department-wide memorandum, authorizing component officials responsible for setting purchase and fleet card limits to increase the micro-purchase threshold up to \$10,000 (in accordance with the requirements of the FY 2018 National Defense Authorization Act²). However, this authority does not

¹ Office of Management and Budget Circular No. A-123, Appendix B Revised, *A Risk Management Framework for Government Charge Card Programs*, August 27, 2019.

² FAR Class Deviation effective June 1, 2018, increased the micro-purchase threshold to \$10,000 (with some FAR 2.101 Definition exceptions) in accordance with the requirements of the FYs 2017 and 2018 National Defense Authorization Acts, 41 U.S.C. § 1903(a)(1).



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

require components to increase the single purchase limit for all cardholders. The DHS CPO and Acting CFO instructed components to evaluate their current procurement needs against established purchase card and fleet card spending limits to determine whether an increase was warranted to meet the needs of the component. In some cases, according to the CPO and Acting CFO, review of cardholder spending patterns may instead indicate that a decrease in single and monthly card limits is appropriate. Federal Acquisition Regulation (FAR) Part 13, Subpart 13.2 – *Actions At or Below the Micro-Purchase Threshold*, and the definition of micro-purchase under FAR Part 2, Subpart 2.101(b)(2), were updated on August 31, 2020, to increase micro-purchases from \$3,500 to \$10,000.

The General Services Administration (GSA) SmartPay purchase program is the preferred method of payment for Federal employees to make official Government purchases for supplies, goods, and services under the micro-purchase threshold. On July 6, 2020, the GSA SmartPay Program Office issued guidance instructing agencies to evaluate procurement needs against established purchase card spending limits to determine whether an increase to the new micro-purchase threshold was warranted.

DHS reported a total of 21,636³ purchase cards and 83,194⁴ fleet cards for FY 2021. For this audit, we focused on assessing purchase and fleet card internal controls for the United States Coast Guard (Coast Guard), DHS Headquarters (DHS HQ), and the DHS Office of Operations Coordination⁵ (OPS). Overall, these components represent 12,335 (12 percent) of DHS purchase and fleet card accounts reported in FY 2021.

Table 1. FY 2021 Universe of Purchase and Fleet Card Program Accounts for Selected DHS Components

DHS Component	Purchase	Fleet	Total
Coast Guard	9,096	2,753	11,849
DHS HQ	379	99	478
OPS	8	0*	8
Total	9,483	2,852	12,335

Source: DHS Office of Inspector General analysis of Purchase and Fleet Card Program account universe

*OPS does not have fleet cards.

³ The purchase card datasets included 9,040 open card accounts and 12,596 closed accounts.

⁴ The fleet card datasets included 54,793 open card accounts and 28,401 closed accounts.

⁵ OPS was renamed Office of Homeland Security Situational Awareness in 2023.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Results of Audit

DHS Did Not Document the Determination of Procurement Needs

DHS and component-level guidance provides requirements for managing Purchase and Fleet Card Program activity and ensuring that single and daily purchase limits be established based on mission needs. In this effort, components are required to document program applications, nominations, training (including related certifications or credentials), warrants, approving official and cardholder agreements, reconciliations, and all justifications for raising/lowering card single-purchase and cycle limits. Supporting documentation must be filed in a central (electronic or physical) location and must be maintained in accordance with National Archives and Records Administration (Title 44, Chapter 31) records retention requirements.

During our review of DHS HQ, Coast Guard, and OPS Purchase and Fleet Card Program accounts, we found that components did not have documentation with at least one of the following:

- Supporting documentation of justifications, reconciliations, and/or evaluations conducted to ensure established spending limits are based on procurement need.
- Approving Official and Cardholder application and/or nomination forms.
- Completed Approving Official and/or Cardholder training.
- A signed copy of the Approving Official and/or Cardholder Agreement.
- Contracting officer/cardholder warrants.

Although DHS and its components have controls in place for managing and retaining documentation of component-level efforts that ensure spending limits are based on procurement needs, components did not always adhere to those controls. For instance, of the 787 bankcard cardholder accounts reviewed, 585 (74 percent) did not document the determination of procurement need. (See Appendix B for a summary of noncompliance issues.)

DHS Did Not Have Documentation to Support Required Decision Authority

DHS and component guidance provides requirements and structured roles and responsibilities for managing Purchase and Fleet Card Program activities, such as:

- issuing and rescinding accounts according to policy;



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- submitting requests, in writing, to increase or decrease cardholder single or monthly purchase limits; and
- ensuring separation of duties, monitoring, and accuracy of established spending limits with cardholder patterns.

During our review of DHS HQ, Coast Guard, and OPS Purchase and Fleet Card Program accounts, we found that 727 of the 787 bankcard accounts reviewed (93 percent) did not document varied levels of decision authority required to ensure spending limits are established based on procurement need. (See Appendix B for more details on instances of noncompliance.) For example:

- Components did not have nomination and application forms, which provide details of initial card issuance and associating approvals.
- Components did not have documentation of spending limit approvals (including changes in spending limits).

The Coast Guard Fleet Card Program independently uses the DHS Fleet Card Change Request Form to document card activation; to report a card lost or stolen; for card replacement, card cancellation, or card updates; and to request or set up a personal identification number. Although this form serves as a valuable tracking tool, we identified cases of forms missing signatures and/or officials signing forms in dual capacities. We also identified cases in which an Approving Official submitted and signed a change request prior to nomination.

Component officials said that limits were increased to \$10,000 based on the micro-purchase threshold detailed in the FAR. However, CPO and GSA guidance instructs that spending limits should be evaluated to determine whether an increase is warranted to meet the needs of the component or agency. In some cases, a review of cardholder spending patterns may instead indicate that a decrease in single and monthly card limits is appropriate.

DHS Did Not Provide Adequate Oversight of Bankcard Spending Limits

DHS and component guidance provides requirements for managing the Purchase and Fleet Card Programs at the component level, which includes reviewing bankcards for fraud, waste, and abuse. Components are required to perform monthly and quarterly reviews of bankcard limits and ensure accuracy of established spending limits with cardholder patterns. For example, components are required to review cardholder inactivity. Cards that have not been used for 180 calendar days should be canceled unless the need for the account can be justified to the satisfaction of the Component Primary Organization Program Coordinator. Components are also specifically required to conduct quarterly reviews of cardholder spending limits and credit limits. Monthly Post Payment Audits, initiated by the DHS Bankcard Program Office,



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

are conducted for a sample of cardholder transactions, and require component-level response and supporting documentation.

During our review of DHS HQ, Coast Guard, and OPS Purchase and Fleet Card Program accounts, we found for 446 of the 787 (57 percent) bankcard accounts reviewed, components did not conduct monitoring activities such as monthly spending limit reviews, inactive account reviews and reporting, check for timely closure of accounts specified for cancellation, and assessments of cardholder spending patterns (including "Unusual Spending Activity" reporting). Although Coast Guard and OPS Purchase Card Program officials conducted limited reviews such as verifying cardholder warrant levels and tracking the allocation of funding and overall spending, generally the components did not conduct various required reviews. (See Appendix B for details on the instances of noncompliance we identified.)

By not conducting all required reviews for its Fleet Card Program, the Coast Guard missed opportunities to identify discrepancies in spending limits reflected in the banking system. Coast Guard Fleet Program officials also did not ensure all approved changes in spending limits were adequately documented. Likewise, by not monitoring inactivity reports, OPS missed opportunities to identify cardholder accounts not used for 180 days. We identified a cardholder account with no transaction activity during FY 2021.

Bankcard Program Issues Were Due to Management Changes, Outdated Policies, Component-level Interpretation of Guidance, and Inadequate Document Retention

Bankcard Program deficiencies occurred because of various changes in key management roles, outdated policies, component-level interpretation of guidance, and non-retention and inconsistent storage of supporting documents. The Component Primary Organization Program Coordinator (CPOPC) is responsible for managing the Purchase and Fleet Card Programs at the component level. CPOPC responsibilities include reviewing bankcard activity for fraud, waste, and abuse and establishing component-specific internal controls. Under the authority of the CPOPC, approving officials are responsible for approving, validating, overseeing, and monitoring purchase and fleet card activity.

Changes in key management roles in the Coast Guard Fleet Card Program contributed to noncompliance in program separation of duties. Although DHS and component guidance provides requirements and structured roles and responsibilities for managing Purchase and Fleet Card Program activities, we identified instances of program officials signing approval documents in multiple capacities. According to Coast Guard Fleet Card Program officials, these instances are likely to occur when authorizing officials are not available or no longer designated.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Additionally, outdated guidance and policies contributed to actions not being documented as required. OPS office-level guidance did not incorporate requirements for monitoring cardholder account inactivity in alignment with Department guidance. Therefore, OPS did not review account inactivity or conduct other related reviews. Further, a Coast Guard Purchase Card Program official stated that spending limits were increased to \$10,000 based on the micro-purchase threshold detailed in the FAR. However, this interpretation is inconsistent with guidance, which instructs that spending limits be evaluated to determine whether an increase is warranted to meet the needs of the component or agency. Coast Guard Purchase Card Program personnel did not have documentation of evaluations conducted to ensure limits increased to \$10,000 were based on procurement needs.

Finally, DHS HQ Purchase Card Program officials said that purchase card records were inadvertently destroyed while purging older financial documents. OPS officials also said that older electronic application records did not transfer from the former banking system to the current system. Other program officials said they were unaware of the requirement to file and retain copies of contracting officer/cardholder warrants and monitoring requirements. Additionally, records are maintained in varied ways (e.g., SharePoint, Electronic Access System, email), which also contributed to limited availability of records.

Without adherence to established policies and procedures, DHS faces an increased risk of material loss and vulnerability to fraud. The Department may also have less assurance the controls in place are effective in meeting its Bankcard Program goals and requirements, resulting in weakened program management and less informed decisions.

Recommendations

Recommendation 1: We recommend the DHS Chief Financial Officer, Assistant Director of the Financial Management Bankcard and Review Branch ensure that Component Primary Organization Program Coordinators at DHS Headquarters, Coast Guard, and the DHS Office of Homeland Security Situational Awareness update component-level Purchase and Fleet Card Program policies and procedures to align with current DHS requirements and component-level needs to ensure policy and procedures are clear and consistent to minimize gaps in roles and responsibilities and processes critical to the operation of the Purchase and Fleet Card Programs.

Recommendation 2: We recommend the DHS Chief Financial Officer, Assistant Director of the Financial Management Bankcard and Review Branch ensure that Component Primary Organization Program Coordinators at DHS Headquarters, Coast Guard, and the DHS Office of Homeland Security Situational Awareness develop an approach to ensure that Purchase and Fleet



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Card Program accounts are monitored in accordance with regulations and Department and component policies and procedures to ensure:

- purchase and fleet card spending limits are established based on procurement need (i.e., evaluating spending limits and cardholder spending patterns);
- accuracy and completeness of Purchase and Fleet Card Program records;
- retention of purchase and fleet card records in a central location;
- separation of duties of key Purchase and Fleet Card Program functions;
- consistent support of appropriate levels of approval and required signatures; and
- Purchase and Fleet Card Program accounts are closed in a timely manner.

Recommendation 3: We recommend the DHS Chief Financial Officer, Assistant Director of the Financial Management Bankcard and Review Branch ensure that Component Primary Organization Program Coordinators at DHS Headquarters, Coast Guard, and the DHS Office of Homeland Security Situational Awareness provide Purchase and Fleet Card Program refresher training for key program approving officials, cardholders, and supporting staff to ensure compliance with requirements.

DHS Comments and OIG Analysis

DHS concurred with all three recommendations, which we consider open and resolved. Appendix A contains a copy of DHS' management response to the draft report. A summary of DHS' responses and our analysis follows.

DHS Response to Recommendation 1: Concur. The DHS OCFO Financial Management Division's Bankcard and Review Branch will review all DHS components' purchase and fleet card policies and procedures and require them to align with DHS requirements and component-level needs. This coordination will include DHS HQ, Coast Guard, and the DHS Office of Homeland Security Situational Awareness — formerly known as OPS. DHS OCFO will also provide clarifying guidance to ensure policies and processes critical to the operation of the Purchase and Fleet Card Programs are communicated to all stakeholders.

Estimated Completion Date: December 29, 2023.

OIG Analysis: DHS provided a corrective action plan with an estimated completion date that addresses the intent of the recommendation. We consider this recommendation resolved and open until DHS provides documentation showing that the corrective actions have been implemented.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

DHS Response to Recommendation 2: Concur. The DHS OCFO Financial Management Division's Bankcard and Review Branch will ensure that all DHS components develop an approach to ensure that Purchase and Fleet Card Program accounts are monitored in accordance with regulations and Department and component policies and procedures. Specifically, the DHS OCFO Bankcard and Review Branch will:

- Coordinate with the DHS Chief Procurement Officer, Heads of Contracting Activities, and the DHS Acting Chief Financial Officer, as appropriate, to issue updated guidance that clarifies policy requirements related to the need to establish spending limits based on procurement needs. The updated policy will require justification of any spending limits set above the standard DHS-wide threshold established by the DHS Chief Procurement Officer and Acting Chief Financial Officer. This authority would extend to both warranted (e.g., cardholders with spending limits above \$10,000) and non-warranted cardholders (e.g., cardholders with spending limits at \$10,000 or below).
- Ensure policies and guidance are consistent with the FAR, which has already established the appropriate spending limits for charge card activity. No additional assessment or documentation of procurement need will be required to support spending limits below standard DHS-wide limits.
- Collaborate with DHS components to develop component-specific guidance to address the accuracy and completeness of Purchase and Fleet Card Program records. In addition, the updated guidance will address records retention, separation of duties, requirements for supporting documentation and approvals, and procedures for the timely close-out of card accounts.

Estimated Completion Date: December 29, 2023.

OIG Analysis: DHS provided a corrective action plan with an estimated completion date that addresses the intent of the recommendation. We also acknowledge that, with DHS' assertion that "no additional assessment or documentation of procurement need will be required to support the spending limits below standard DHS-wide limits," the Department will not require components to conduct assessments beyond regular monthly and/or quarterly bankcard activity reviews. We consider this recommendation resolved and open until DHS provides documentation showing that the corrective actions have been implemented.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

DHS Response to Recommendation 3: Concur. In DHS' Purchase and Fleet Card Policy Manuals, the DHS OCFO Bankcard and Review Branch will require that Component Primary Organization Program Coordinators at all DHS components require Purchase and Fleet Card Program refresher training for all program approving officials, cardholders, and supporting staff to ensure compliance with requirements.

Estimated Completion Date: December 29, 2023.

OIG Analysis: DHS provided a corrective action plan with an estimated completion date that addresses the intent of the recommendation. We consider this recommendation resolved and open until DHS provides documentation showing that the corrective action has been implemented.

Objective, Scope, and Methodology

The Department of Homeland Security Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We conducted this audit to determine to what extent DHS components implemented internal controls for ensuring Bankcard Program spending limits are established based on procurement needs. This audit focused on DHS' roles, responsibilities, authorities, policies, and procedures for establishing and monitoring bankcard cardholder single purchase spending limits for the Purchase Card and Fleet Card Programs. Our audit scope covered DHS cardholder spending limits during FY 2021.

To achieve our audit objective, we conducted interviews and obtained and reviewed pertinent laws, regulations, policies, procedures, and guidance relevant to the audit objective. This audit focused on assessing whether DHS components evaluate procurement needs when increasing purchase and fleet cardholder spending limits, and whether single purchase spending limits are updated in the Government charge card bank system to reflect approved spending limits.

To obtain an adequate and varied range of component audit coverage, we selected high-, mid-, and low-range components (Coast Guard, DHS HQ, and OPS, respectively) based on the number of cardholder accounts in FY 2021 for the Purchase Card Program. To be consistent, we reviewed the Fleet Card Program for the same components, if applicable. We assessed the internal controls related to DHS' Bankcard Purchase Card and Fleet Card programs. Because our review was limited to addressing our audit objective, it may not disclose all internal control weaknesses that may have existed at the time of the audit. As discussed in our report, we found that DHS components did not



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

adhere to their internal controls for documenting the determination of procurement needs, decision authority, and oversight activities.

We coordinated with the OIG Data Services Division to select a statistical sample of Coast Guard and DHS HQ purchase cards and Coast Guard fleet cards, based on a 90 percent confidence level and a 5 percent sampling error. We used statistical inference to analyze the testing results. We estimate at a 90 percent confidence level between 98.3 to 100 percent of the 379 population of DHS HQ purchase cards contain an issue in at least one of the internal control attributes. For the Coast Guard, we estimate 98.3 to 99.9 percent of the 9,096 population of purchase cards contain an issue in at least one of the internal control attributes. Additionally, for the Coast Guard fleet cards, we estimate 99 to 100 percent of the 2,753 fleet card population contains an issue with at least one of the internal control attributes.

We conducted a 100 percent review of OPS purchase cards and DHS HQ fleet cards. Overall, we assessed a combined sample of 787 bankcard cardholder accounts from a universe of 12,335 accounts. To ensure data reliability of the cardholder account universe, we extracted the account listing directly from the bankcard system, reconciled the total number of accounts to the universe of accounts provided by DHS, removed duplicates, and verified accounts to the timeframe of the audit scope. As a result, we believe the data is sufficiently reliable to support our audit results. We used established criteria to identify attributes to test DHS internal controls for establishing and monitoring bankcard spending limits. We also reviewed bankcard application records and other supporting documentation, to determine whether DHS adhered to established policies and procedures.

We conducted this performance audit between April 2022 and April 2023 pursuant to the *Inspector General Act of 1978, as amended*, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

DHS OIG's Access to DHS Information

During this audit, DHS provided timely responses to DHS OIG's requests for information and did not delay or deny access to information we requested.

The Office of Audits major contributors to this report are Paul Exarchos, Audit Director; Kathy Hughes, Audit Manager; Nicole Kraft, Auditor-in-Charge; Dwight McClendon, Auditor; LaTrina McCowin, Auditor; Jose Torres, Auditor; Nasanjargal Zana, Auditor; Kevin Dolloson, Communications Analyst; and Oluwabusayo Sobowale, Independent Reference Reviewer.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix A DHS Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528



Homeland
Security

June 27, 2023

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General

FROM: Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

JIM H

CRUMPACKER

Digitally signed by JIM H
CRUMPACKER
Date: 2023.06.27 19:28:42
-04'00'

SUBJECT: Management Response to Draft Report: "DHS Components Did Not Always Adhere to Internal Control Policies and Procedures for Ensuring that Bankcard Program Spending Limits Are Established Based on Procurement Needs" (Project No. 22-036-AUD-DHS)

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security (DHS or the Department) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

DHS leadership is pleased to note OIG's recognition that the Department implemented internal controls to ensure Bankcard Program spending limits are established based on procurement needs for both its purchase and fleet card programs. However, leadership disagrees with OIG's assertion that all accounts OIG reviewed had issues in one or more key internal control areas. Neither DHS purchase¹ or fleet² card policy, nor any higher authoritative guidance of which the Department is aware requires written justification and documentation when setting or changing spending limits below the micro-purchase thresholds established in the Federal Acquisition Regulation (FAR)³ and DHS Policy. OIG's inclusion of this non-requirement in the draft report findings inaccurately increased the number of accounts OIG found to lack key controls.

It is also important to highlight that the Department takes a proactive approach to preventing government charge card fraud, waste, and abuse. Purchase and Fleet cards have well established key controls that provide the necessary oversight of each program.

¹ DHS Financial Management Policy Manual, Section 3.2, Part 3.2.2, Purchase Card Manual (dated 2/15/2021)

² DHS Financial Management Policy Manual, Section 3.2, Part 3.2.3, Fleet Card Manual (dated 11/24/2020)

³ FAR, Subpart 13.2, Actions At or Below the Micro-Purchase Threshold,

<https://www.acquisition.gov/far/index.html>



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

For example, both programs use merchant category codes which are assigned to each account that prevent card users from making transactions at unauthorized vendors. Fleet cards are also assigned to government vehicles, not to individual cardholders, and the accounts are managed by fleet managers. DHS Policy⁴ sets a standard single purchase limit of \$2,500 for most fleet cards, well below the \$10,000 micro-purchase threshold for purchase cards. For every purchase and fleet card transaction, a federal employee conducts a review of that transaction, and another person separately approves it.

DHS Office of the Chief Financial Officer (OCFO) Financial Management Division (FM) staff also monitors both its purchase and fleet card programs using IntelliLink, Visa's online data-mining system, to help the Department identify transactions that may not be compliant with policy. The FM Division's Bankcard and Review Branch initiates monthly audits using this technology to require Component purchase and fleet card representatives to research and respond to their audit sample. This internal control helps ensure transactions are appropriate, reasonable, and comply with policy.

DHS takes seriously its responsibility to ensure that all spending placed on government-issued charge cards is appropriate and only driven by requirements related to fulfilling the Department's vital mission of securing the nation from the many threats we face to keep the United States safe.

The draft report contained three recommendations with which the Department concurs. Enclosed find our detailed response to each recommendation. DHS previously submitted technical comments addressing several accuracy, contextual, and other issues under a separate cover for OIG's consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions.

Enclosure

⁴ DHS Financial Management Policy Manual, Section 3.2, Part 3.2.3, Fleet Card Manual (dated 11/24/2020). Previous versions enforced the same \$2,500 limit.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Enclosure: Management Response to Recommendations Contained in 22-036-AUD-DHS

OIG recommended that the DHS Chief Financial Officer, Assistant Director of the Bankcard Review Division:

Recommendation 1: Ensure that Component Primary Organization Program Coordinators at DHS Headquarters, Coast Guard, and the DHS Office of Operations Coordination update component-level Purchase and Fleet Card Program policies and procedures to align with current DHS requirements and component-level needs to ensure policy and procedures are clear and consistent to minimize gaps in roles and responsibilities and processes critical to the operation of the Purchase and Fleet Card Programs.

Response: Concur. The DHS OCFO FM Division's Bankcard and Review Branch will review all DHS Components' purchase and fleet card policies and procedures and require them to align with DHS requirements and Component-level needs. This coordination will include DHS Headquarters, the U.S. Coast Guard (Coast Guard) and the DHS Office of Homeland Security Situational Awareness—formerly known as the DHS Office of Operations Coordination. DHS OCFO will also provide clarifying guidance to ensure policies and processes critical to the operation of the purchase and fleet card programs are communicated to all stakeholders. Estimated Completion Date (ECD): December 29, 2023.

Recommendation 2: Ensure that Component Primary Organization Program Coordinators at DHS Headquarters, Coast Guard, and the DHS Office of Operations Coordination develop an approach to ensure that Purchase and Fleet Card Program accounts are monitored in accordance with regulations and Department and component policies and procedures to ensure:

- Purchase and fleet card spending limits are established based on procurement need (i.e., evaluating spending limits and cardholder spending patterns).
- Accuracy and completeness of Purchase and Fleet Card Program records.
- Retention of purchase and fleet card records in a central location.
- Separation of duties of key Purchase and Fleet Card Program functions.
- Consistent support of appropriate levels of approval and required signatures; and
- Purchase and Fleet Card Program accounts are closed timely.

Response: Concur. The DHS OCFO FM Division's Bankcard and Review Branch will ensure that all DHS Components develop an approach to ensure that purchase and fleet card program accounts are monitored in accordance with regulation and Department and Component policies and procedures. Specifically, this effort will include the DHS OCFO



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Bankcard and Review Branch:

- Coordinating with the DHS Chief Procurement Officer, Heads of Contracting Activities, and the DHS Acting Chief Financial Officer (ACFO), as appropriate, to issue updated guidance that clarifies policy requirements related to the need to establish spending limits based on procurement needs. The updated policy will require justification of any spending limits set above the standard DHS-wide threshold established by the DHS Chief Procurement Officer and ACFO. This authority would extend to both warranted (e.g., cardholders with spending limits above \$10,000) and non-warranted cardholders (e.g., cardholders with spending limits at \$10,000 or below).
- Ensuring policies and guidance are consistent with the FAR that have already established the appropriate spending limits for charge card activity. No additional assessment or documentation of procurement need will be required to support the spending limits below standard DHS-wide limits. It is not advantageous to DHS to make a streamlined micro-purchase process more arduous. It is the Bankcard and Review Branch's duty to enable Components to easily and readily make adjustments to business needs as their operations shift.
- Collaborating with DHS Components to develop Component-specific guidance to address the accuracy and completeness of purchase and fleet card program records. In addition, the updated guidance will address records retention, separation of duties, requirements for supporting documentation and approvals, as well as procedures for the timely close-out of card accounts.

ECD: December 29, 2023.

Recommendation 3: Ensure that Component Primary Organization Program Coordinators at DHS Headquarters, Coast Guard, and the DHS Office of Operations Coordination provide Purchase and Fleet Card Program refresher training for key program approving officials, cardholders, and supporting staff to ensure compliance with requirements.

Response: Concur. In DHS Purchase and Fleet Card Policy Manuals, the DHS OCFO Bankcard and Review Branch will require that Component Primary Organization Program Coordinators at all DHS Components require purchase and fleet card program refresher training for all program approving officials, cardholders, and supporting staff to ensure compliance with requirements. ECD: December 29, 2023.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
DHS HQ, Coast Guard, and OPS Instances of Noncompliance in Bankcard Program, FY 2021

Table 2. Instances of Noncompliance by Component and Bankcard Type*: DHS Did Not Document the Determination of Procurement Need

Noncompliance Type	DHS HQ		COAST GUARD		OPS**	Total	Percentage of Sample
	Purchase	Fleet	Purchase	Fleet	Purchase		
Bankcard Sample Size	158	99	264	258	8	787	100%
Card account Nomination/application package did not include all the required documents	121	99	206	236	7	669	85%
Spending limit amount was not confirmable at the time of application	119	0	196	N/A	6	321	41%
Component was missing cardholder's warrant, if required due to spending amount	0	0	219	93	7	319	41%
Procurement need of the component was not documented (written justification/rationale)	156	99	263	59	8	585	74%
Cardholder's spending limit changed in 2021, and the component did not have documentation or justification for the spending limit change	2	0	68	42	2	114	14%

Source: DHS OIG analysis of FY 2021 transaction testing and review results

*Instances will not add up to the total in the Results of Audit section of the report as some card accounts reviewed had issues in multiple areas.

**OPS does not have fleet cards.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Table 3. Instances of Noncompliance by Component and Bankcard Type*: DHS Did Not Have Documentation to Support Required Decision Authority

Noncompliance Type	DHS HQ		COAST GUARD		OPS**	Total	Percentage of Sample
	Purchase	Fleet	Purchase	Fleet	Purchase		
Bankcard Sample Size	158	99	264	258	8	787	100%
Spending limit approval was not documented by all appropriate officials	144	99	227	254	5	729	93%
Approval authorities did not align with requirements	153	24	175	105	7	464	59%
No separation of duty based on approving authority signatures on required documents	126	24	175	36	0	361	46%

Source: DHS OIG analysis of FY 2021 transaction testing and review results

*Instances will not add up to the total in the Results of Audit section of the report as some card accounts reviewed had issues in multiple areas.

**OPS does not have fleet cards.

Table 4. Instances of Noncompliance by Component and Bankcard Type*: DHS Did Not Provide Adequate Oversight of Bankcard Spending Limits

Noncompliance Type	DHS HQ		COAST GUARD		OPS**	Total	Percentage of Sample
	Purchase	Fleet	Purchase	Fleet	Purchase		
Bankcard Sample Size	158	99	264	258	8	787	100%
No evidence of cardholder spending limit monitoring/evaluation	0	0	180	258	8	446	57%
If monitoring activities were performed, they were not timely, as required	0	0	5	N/A	N/A	5	1%
For closed card accounts, there was no documentation to support the closed account status	70	12	235	50	4	371	47%
Card account was not closed timely, as required	13	27	235	95	4	374	48%

Source: DHS OIG analysis of FY 2021 transaction testing and review results

*Instances will not add up to the total in the Results of Audit section of the report as some card accounts reviewed had issues in multiple areas.

**OPS does not have fleet cards.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Appendix C

Report Distribution

Department of Homeland Security

Secretary
Deputy Secretary
Chief of Staff
Deputy Chiefs of Staff
General Counsel
Executive Secretary
Director, GAO/OIG Liaison Office
Under Secretary, Office of Strategy, Policy, and Plans
Assistant Secretary for Office of Public Affairs
Assistant Secretary for Office of Legislative Affairs

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees

Additional Information and Copies

To view this and any of our other reports, please visit our website at:
www.oig.dhs.gov.

For further information or questions, please contact Office of Inspector General
Public Affairs at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.
Follow us on Twitter at: @dhsoig.



OIG Hotline

To report fraud, waste, or abuse, visit our website at www.oig.dhs.gov and click on the red "Hotline" box. If you cannot access our website, call our hotline at (800) 323-8603, or write to us at:

Department of Homeland Security
Office of Inspector General, Mail Stop 0305
Attention: Hotline
245 Murray Drive, SW
Washington, DC 20528-0305