

U.S. SMALL BUSINESS ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

Fiscal Year 2022 Risk Assessment over SBA's Charge Card Programs



Management Advisory

Report 24-08

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NOTICE:

Pursuant to the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Public Law 117-263, Section 5274, any nongovernmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context as it relates to any specific reference contained herein. Comments must be submitted to AIGA@sba.gov within 30 days of the final report issuance date. We request that any comments be no longer than two pages, Section 508 compliant, and free from any proprietary or otherwise sensitive information. The comments may be appended to this report and posted on our public website.



**OFFICE OF INSPECTOR GENERAL
U.S. SMALL BUSINESS ADMINISTRATION**

MEMORANDUM

Date: March 13, 2024

To: Isabella Casillas Guzman
Administrator

From: Hannibal "Mike" Ware
Inspector General

A handwritten signature in black ink, appearing to be "H. Ware", written over the printed name of the sender.

Subject: Management Advisory of Fiscal Year 2022 Risk Assessment over SBA's Charge Card Programs (Report 24-08)

This management advisory assesses the U.S. Small Business Administration's (SBA) internal controls over purchase and travel card expenditures for fiscal year 2022. We found SBA implemented required internal controls to help prevent illegal, improper, or erroneous purchases and payments. SBA's internal controls helped safeguard taxpayer funds against fraud, waste, and abuse. This report does not contain any recommendations and the Agency did not provide any comments on the report.

We appreciate the courtesies and cooperation provided by your staff during our risk assessment. If you have any questions, please call Jeffrey Brindle, Director of the IT and Financial Management Group, at (202) 205-7490 or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6586.

cc: Katherine Aaby, Chief Financial Officer, Office of Performance, Planning, and the Chief Financial Officer
Therese Meers, General Counsel, Office of General Counsel
Michael Simmons, Attorney Advisor, Office of General Counsel
Cynthia Pitts, Director, Office of Continuous Operations and Risk Management
Tonia Butler, Director, Office of Internal Controls
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Contents

- Background..... 1
- Results of Review showed Effective Controls over Purchase and Travel Card Programs 2
 - Purchase Card Program 2
 - Control Environment 3
 - Monitoring Actions 3
 - Convenience Checks 3
 - Charge Card Management Plan..... 3
 - Training..... 4
 - Travel Card Program 4
 - Control Environment 5
 - Training..... 5
 - Delinquency 5
- Scope and Methodology 6

Tables

- 1: Purchase Card Dollars Spent per SBA Office 2
- 2: Travel Card Dollars Spent per SBA Office 4

Background

The Government Charge Card Abuse Prevention Act of 2012¹ was signed on October 5, 2012 to establish internal controls over agency expenses and work-related travel expenses charged by federal government employees on government charge cards.

The Act requires the inspectors general of executive-level agencies with more than \$10 million in annual employee purchases and/or \$10 million in charge card spending to conduct risk assessments at least annually. SBA uses individually and centrally billed travel accounts, as well as purchase cards and convenience checks. The agency does not use an integrated cards program. Inspectors general use these risk assessments to determine the necessary scope, frequency, and number of audits or reviews of these programs.

In August 2019, OMB issued a revised Appendix B to the OMB Circular No. A-123, A Risk Management Framework for Government Charge Card Programs, requiring federal agencies to develop a charge card management plan, which is a risk management policy containing an internal control system. The U.S. Small Business Administration (SBA) plan identifies key management officials and their roles and responsibilities. The plan also directs employees on the use of data analytics tools and techniques to support spend visibility and analysis. SBA participates in the General Services Administration (GSA) SmartPay government-wide charge card program, which is important to our assessment because this program includes data analytics and reporting tools to assist with oversight controls.

Our objective was to perform a risk assessment of SBA's government purchase card and travel card programs to identify any risks of illegal, improper, or erroneous purchases and payments. Our review focused on determining whether SBA implemented effective controls, policies, and procedures to mitigate the risk of charge card misuse, improper, or erroneous purchases and payments.

¹ Government Charge Card Abuse Prevention Act of 2012, Pub. L. No. 112-194, 126 Stat. 1445 (2012).

Results of Review showed Effective Controls over Purchase and Travel Card Programs

Our assessment of SBA’s fiscal year (FY) 2022 purchase and travel card programs found the agency is at low risk of illegal, improper, or erroneous purchases and payments. We found SBA implemented effective internal controls to limit risks to prevent illegal, improper, and erroneous purchases and payments. SBA’s internal controls helped safeguard taxpayer funds against fraud, waste, or abuse.

SBA established the use of bank card management analytical and audit tools to manage card program expenses, review cardholders spending patterns, and analyze transaction detail reports to monitor delinquency, potential fraud and misuse, performance metrics, and other noncompliance issues.

Purchase Card Program

In FY 2022, SBA had 153 active purchase cardholder accounts. Employee cardholders purchased goods and services totaling approximately \$2.8 million (Table 1). Authorized SBA employees used purchase cards for agency expenditures, such as office supplies.

Table 1: Purchase Card Dollars Spent per SBA Office

SBA Office	Total Dollars Charged
Office of Inspector General	\$279,593
Office of Disaster Assistance	\$360,464
Headquarters, regional, and district offices	\$2,167,465
Total agency FY 2022 spending	\$2,807,522

The Office of Inspector General (OIG) is required to conduct periodic risk assessments consistent with the criteria in Appendix B of OMB Circular A-123. Our analysis and reviews of agency-implemented purchase card internal controls did not reveal significant deficiencies or control risks requiring further detailed testing and reviews.

Control Environment

Consistent with Appendix B of OMB Circular A-123, SBA continued to implement controls and activities to mitigate the potential for fraud or misuse of purchase card. As part of our risk assessment, we reviewed control monitoring activities to ensure the control system was operating as intended. Our assessment showed that SBA developed appropriate purchase card program controls to ensure compliance with federal laws and regulations.

Monitoring Actions

We reviewed purchase card control environment and monitoring activities to provide assurance that the control system was operating as intended. We found there are no open OIG recommendations.

SBA established the use of a bank card analytical and audit tool to identify fraud, misuse, and other violations. The data mining tool allows SBA to manage charge card program expenses and reports, review cardholders spending patterns, analyze transaction details, and set up alerts to identify transactions that need further reviews.

Convenience Checks

In our review of FY 2022 transactions, we found that SBA issued 21 convenience checks totaling \$22,387. Convenience checks are a payment tool intended only for use with merchants who do not accept purchase cards or purchase orders. Consistent with agency policy,² convenience checks were only issued when vendors did not accept charge cards. Cardholders obtained management preapproval justifications through the Joint Administrative Accounting Management System, which is the system of record for managing funding and expenditure of SBA funds.

Charge Card Management Plan

SBA processes payments daily to the purchase card billing account when invoices are received from the card-issuing bank. Purchase card activity is considered a government debt, in contrast to travel card charges, which are considered a personal debt. SBA uses a bank card data mining and audit tool to monitor card program spending and to track, audit, and manage card program

² SBA, Standard Operating Procedure 20 22 1, Purchase Card Program, (May 1, 2022).

compliance. We found the agency updated its charge card management plan to mitigate potential fraud, misuse, and delinquency, and provide overall information to SBA employees.

Training

SBA purchase policy mandates all purchase cardholders, approving officials, and other staff involved in government purchase cards complete the GSA or Talent Management Center online training before they receive travel cards. Cardholders are required to periodically retake the online course. SBA also mandates the suspension of purchase cardholder accounts for not completing training requirements. For this review period, we note approximately 86 percent of active cardholders completed the FY 2022 training requirements.

Travel Card Program

For FY 2022, SBA’s travel card costs totaled approximately \$16.8 million. SBA had 1,417 active travel cardholder accounts that included 4 centrally billed cardholder accounts. Authorized SBA employees used the purchase cards for work-related travel expenses.

Table 2: Travel Card Dollars Spent per SBA Office

SBA Office	Total Dollars Charged
Office of Inspector General	\$439,758
Office of Disaster Assistance	\$15,024,563
Headquarters, regional, and district offices	\$1,353,183
Total agency FY 2022 spending	\$16,817,504

The agency’s FY 2022 travel card spending exceeded the \$10 million spending threshold established in Appendix B of OMB Circular A-123, and we determined the agency instituted sufficient monitoring oversight controls. Our analyses and reviews of agency-implemented travel card internal controls did not reveal significant deficiencies or control risks requiring further detailed testing and reviews.

Control Environment

SBA's FY 2022 charge card management plan establishes specific internal controls, including defining roles and duties to prevent an employee from incurring and approving their own travel charges. Similarly, SBA Standard Operating Procedure (SOP) 20 22 1, Purchase Card Program, requires approving officials to pre-approve travel and verify charges before agency payment. We note the charge card program internal controls include disciplinary actions consistent with SBA SOP 37 52 3C, Discipline and Adverse Actions. In addition, we found SBA enhanced its oversight controls by using data analytics and reporting databases as a mitigating strategy to prevent travel card misuse.

SBA uses internal control reporting tools to monitor delinquency and issues with performance metrics and other program compliance issues. These tools allow SBA to track travel card transactions to help prevent misuse and fraud. For example, the tool enables the agency to generate ad hoc reports, such as fraud analytics reports, and declined transaction reports. On a monthly basis, to prevent delinquency, the program officials review the accounts with questionable history report to identify accounts with potential risk of delinquency. Our assessment showed these reports help card program officials create effective sampling techniques to detect questionable transactions and ensure proper card use.

Training

SBA travel policy mandates all travel cardholders, approving officials, and other staff involved in government travel cards to complete the GSA or Talent Management Center online training before they are issued travel cards. Cardholders are required to retake the online course every 3 years. For this review period, the agency did not identify any significant violations related to this period's active cardholders completing the FY 2022 training requirements.

Delinquency

Our review of the agency's managing and delinquency reporting process did not reveal program control deficiencies. Once a delinquency is discovered, the program officials communicate with both the cardholder and their approving official. During testing of travel card transactions and controls, we found SBA's Office of the Chief Financial Officer conducted monthly reviews of travel card transactions.

SBA's travel card policy establishes specific internal controls, including defining roles and duties to prevent an employee from incurring and approving their own travel charges. SBA's travel guidance requires approving officials to pre-approve travel and verify charges before agency payment. We note the charge card program internal controls include disciplinary actions consistent with federal guidance.

Scope and Methodology

To achieve our objective, we obtained an understanding of the laws, regulations, guidance, and SBA policies and procedures used to govern charge card programs. We interviewed SBA officials responsible for overseeing purchase and travel card operations and examined documentation, including the FY 2022 Charge Card Management Plan, required by the latest revision of Appendix B to OMB Circular A-123, A Risk Management Framework for Government Charge Card Programs.

We reviewed and analyzed agency-generated compliance reports, which we found reliable for the objectives of this report. This system is designed to detect questionable purchase and travel card transactions. We reviewed agency charge card programs' policies and procedures used to comply with federal requirements and guidelines. We conducted an overview analysis of purchase and travel card transactions to include analysis of the agency's use of convenience checks. Also, consistent with OMB M 13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012, we reviewed the agency's monitoring activities and verified actions taken to reduce delinquencies. SBA processes payments on purchase card billing accounts as invoices are received from the card-issuing bank. Because of the same-day payment process, delinquency issues involving purchase card program are rare.

We tested the reliability of data specific to our scope by comparing electronic documentation, such as monthly travel card statements to source documentation, such as approved vouchers and bank card transactions retrieved from the card-issuing bank database. To verify compliance with charge card training requirements, we relied on information contained in GSA's SmartPay portal and the agency's Talent Management Center database. We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that we adequately plan and perform the evaluation to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence provides a reasonable basis for our conclusions based on our objective.