



OFFICE OF INSPECTOR GENERAL EVALUATION REPORT

Evaluation of PBGC's Purchase Card Program

Report No. EVAL-2022-10
April 4, 2022

Evaluation of PBGC's Purchase Card Program

The Government Purchase Card Program. The Government Purchase Card Program was created in the late 1980s as a way for federal agencies to streamline the acquisition process by providing the end user an efficient way to obtain goods and services directly from vendors, through use of purchase cards, rather than processing requests through government procurement offices.

Background

PBGC Purchase Card Program. PBGC's Purchase Card Program is administered by the Corporation's Procurement Department (PD). PBGC established a Purchase Card Program to help ensure employees adhere to federal laws, ethical standards, and procurement regulations concerning the use of government purchase cards. The Corporation does not spend a significant amount of its funds via purchase cards. According to PBGC's November 2020 Charge Card Management Plan, the Corporation spends less than 1% of its administrative budget using purchase cards. As of 2020, the Purchase Card Program had 48 purchase card accounts, 21 Authorizing Officials, and purchase card expenditures totaling approximately \$1.86 million.

Key Questions

Objective. To analyze the risks of illegal, improper, or erroneous purchases and payments associated with PBGC's Purchase Card Program to determine whether the Corporation's internal controls are sufficient to detect and prevent fraud, waste, and abuse.

Evaluation Results

Overall Conclusion. Overall, our evaluation revealed that the internal controls for administering PBGC's Purchase Card Program are adequate to prevent fraud, waste, and abuse. However, we found areas where internal controls over the program can be strengthened. First, we found instances in which 25 cardholders, in contravention of OMB Circular A-123, Appendix B and PBGC's Purchase Card Manual, paid \$8,601 in state and local sales taxes to vendors. Second, we found that, in contravention of regulations, laws and policies, documents were missing or incomplete. Specifically, we identified nine trained and authorized cardholders, who made transactions in FY 2019, but whose names did not appear on the APC list of active and closed/inactive accounts. We also identified five cardholders who did not have a request for appointment document, which PBGC's manual requires the APC to maintain; one Approving Official who did not have a training certificate on file; one cardholder who did not have a Delegation of Authority letter; and one Delegation of Authority letter that was not signed and dated.

Corrective Actions

Our recommendations. We made three recommendations that included the Office of Management and Administration: reviewing the transactions we identified for which PBGC paid sales taxes and (a) determining whether it is economically feasible to obtain refunds and (b) if determined to be economically feasible, obtain refunds for those transactions; incorporating into annual training scenarios instances where sales tax was paid; and updating the SharePoint records whenever documents are updated or new documents are created.

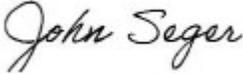
Management agreement. PBGC concurred with the findings and recommendations and have plans to complete the actions within the year.



Office of Inspector General

April 4, 2022

TO: Alice Maroni
Chief Management Officer

FROM: John Seger 
Assistant Inspector General Audits

SUBJECT: Issuance of Final Evaluation Report, *Evaluation of PBGC's Purchase Card Program*
(Report No. EVAL-2022-10)

We are pleased to provide you with the above-referenced final report. We appreciate the cooperation you and your staff extended to the OIG during this project. We thank you for your receptiveness to our recommendations and your commitment to reducing risk and improving the effectiveness and efficiency of PBGC programs and operations.

This report contains public information and will be posted in its entirety on our website and provided to the Board and Congress in accordance with the Inspector General Act.

cc: Kristin Chapman, Chief of Staff
Russ Dempsey, General Counsel
Frank Pace, Director, Corporate Controls and Reviews Department
Latrece Wade, Risk Management Officer
Juliet Felent, Procurement Director
Department of Labor Board staff
Department of the Treasury Board staff
Department of Commerce Board staff
House committee staff (Education and Workforce, Ways and Means, HOCR)
Senate committee staff (HELP, Finance, HSGAC)

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Background

Established by the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Benefit Guaranty Corporation (PBGC or Corporation) insures the pension benefits of workers and retirees in private sector defined-benefit pension plans. PBGC's mission is to enhance retirement security by preserving plans and protecting pensioners' benefits. The Corporation guarantees payment, up to the legal limits, of the pension benefits earned by over 33 million American workers, retirees, and beneficiaries in single-employer and multiemployer plans. PBGC pays guaranteed benefits directly to retirees and beneficiaries in failed single-employer plans and pays financial assistance to insolvent multiemployer plans to allow them to pay guaranteed benefits to retirees and beneficiaries.

The Government Purchase Card Program was created in the late 1980s as a way for federal agencies to streamline the acquisition process by providing the end user an efficient way to obtain goods and services directly from vendors, through use of purchase cards, rather than processing requests through government procurement offices. A purchase card is a centrally billed account (CBA) established by a commercial financial institution on behalf of agencies to which the cost of purchasing goods and services may be charged. According to Federal Acquisition Regulations (FARs), the government-wide commercial purchase card is authorized for use by a Contracting Officer (CO) in making payments for purchases of supplies, services, or construction. The General Services Administration (GSA), the Office of Management and Budget (OMB), and individual federal agencies all have some responsibility for the Government Purchase Card Program.

GSA administers the Government Purchase Card Program. As the federal government's purchasing agent, GSA connects federal purchasers with the most cost-effective and high-quality commercial products and services. GSA's SmartPay payment solutions enable authorized government employees to make purchases on behalf of the federal government in support of their agency/organization's mission. Through SmartPay, agencies can streamline transaction processing, increase accountability, and provide a more efficient and effective means to monitor transactions and identify fraud, waste, and abuse. PBGC holds a task order under GSA's SmartPay®3 master contract with US Bank, one of GSA's SmartPay®3 contractor banks. Under the terms of this agreement, US Bank provides purchase cards to PBGC cardholders who, under FAR Part 13.201(b), are authorized to use them as the preferred payment method for micro purchases (up to \$10,000).

OMB is responsible for issuing government-wide policy on purchase card use and addresses controls, policies, and practices for the Purchase Card Program. Risk management controls, policies, and practices are critical tools for ensuring the efficiency and integrity of charge card programs and are put in place with the intention of reducing payment delinquencies, charge card misuse and fraud, waste, and abuse.

OMB Circular A-123, Appendix B, Revised requires each Inspector General of executive agencies with more than \$10,000,000 in annual purchases to conduct periodic assessments of the agency's purchase card program to identify and analyze risks of illegal, improper, or erroneous purchases and payments, and report the results of these assessments. As demonstrated in Figure 1 below, PBGC spent less than \$10,000,000 in purchases in fiscal year (FY) 2020. Therefore, PBGC OIG was not required to assess the Corporation's program. Nonetheless, we decided to evaluate the program due to the elevated risk identified in last year's assessment.

PBGC's Purchase Card Program is administered by the Corporation's Procurement Department (PD). PBGC established a Purchase Card Program to help ensure employees adhere to federal laws, ethical standards, and procurement regulations concerning the use of government purchase cards. The Purchase Card Program is governed by the policies and procedures contained in the Corporation's Purchase Card Manual. PD's Agency Program Coordinator (APC) is responsible for overseeing the program. PBGC Approving Officials (AO) provide oversight over the cardholders within their respective department.

The Corporation does not spend a significant amount of its funds via purchase cards. According to PBGC's November 2020 Charge Card Management Plan, the Corporation spends less than 1% of its administrative budget using purchase cards. As of 2020, the Purchase Card Program had 48 purchase card accounts, 21 AOs, and purchase card expenditures totaling approximately \$1.86 million.

Fig. 1. Summary of FY 2020 Purchase Card Program

Number of Cardholder Accounts	48
Number of Approving Officials	21
Total Purchase Card Expenditures	\$1,863,349.75

Source: OIG adapted from the U.S. General Service Administration's Statistical Reporting.

Evaluation Results

Summary

Overall, our evaluation revealed that the internal controls for administering PBGC's Purchase Card Program are adequate to prevent fraud, waste, and abuse. However, we found areas where internal controls over the program can be strengthened. First, we found instances in which 25 cardholders, in contravention of OMB Circular A-123, Appendix B and PBGC's Purchase Card Manual, paid \$8,601 in state and local sales taxes to vendors. Second, we found that, in contravention of regulations, laws and policies, documents were missing or incomplete. Specifically, we identified nine trained and authorized cardholders, who made transactions in FY 2019, but whose names did not appear on the APC list of active and closed/inactive accounts. We also identified five cardholders who did not have a request for appointment document, which PBGC's manual requires the APC to maintain; one Approving Official who did not have a training certificate on file; one cardholder who did not have a Delegation of Authority letter; and one Delegation of Authority letter that was not signed and dated.

Finding 1: Cardholders Failed to Comply with OMB Circular A-123 and PBGC's Purchase Card Manual by Paying State and Local Sales Taxes.

OMB Circular A-123, Appendix B states that CBA charge cards are tax exempt in every State and United States territory, as payment liability falls directly on the Federal Government. Additionally, PBGC's Purchase Card Manual policies require the cardholder to request tax-exempt status for their purchases when making purchases with the purchase card.

We found that some cardholders paid sales tax to vendors, while others did not pay sales tax to those same vendors. Based on our analysis of transaction datasets for the review period, we found that 25 cardholders paid \$8,601 in sales tax on \$121,984 of goods and services in 131 transactions to vendors to whom other cardholders did not pay sales tax. The \$8,601 paid represented inappropriate sales tax payments. Furthermore, we judgmentally tested a sample of these transactions to

determine if the transactions were supported.¹ We found from our review of invoices, receipts, and statements that 13 PBGC cardholders paid \$2,571 in state and local sales taxes on \$43,518 of goods and services in 45 transactions and that cardholders attempted to recover the taxes in 18 of those transactions. However, in only 5 of the 18 transactions did documents show that sales taxes totaling \$1,588 were recovered.

Figure 2. Summary of Sales Tax Paid and Recovered in Evaluation

	Number of Cardholders	Number of Transactions	Amount for Goods and Services	Sales Tax Paid
Sales Tax Paid Per OIG Analysis²	25	131	\$121,984	\$8,601
Sales Tax Paid Per Supporting Documents	13	45	\$43,518	\$2,571
Sales Tax Recovered	3	5	\$26,551	\$1,588

Source: OIG calculations

Given we have not received most of the sample items requested, the amount of state and local sales taxes paid is likely understated. However, the actual amount of sales tax payments may not be known because, per a US Bank representative, some vendors put an amount in the tax field to meet certain requirements even if sales tax was not actually charged. In addition, some cardholders and officials stated that they thought the transaction amount in the monthly statement did not include sales tax paid.

Consequently, neither the cardholder nor the approving official identified and corrected the wrongly paid sales taxes during the review and reconciliation process. Failure to recover state and local sales tax payments increase the cost of the PBGC's

¹ Because of the Covid-19 pandemic, we received documentation for only 6 of the 15 sample transactions requested. (See Appendix I, Scope.) The amount discussed in this condition includes the six sample items received and other transactions not in the sample.

² We revised the number of transactions, amount for goods and services, and sales tax paid for the row "Sales Tax Paid Per OIG Analysis" because duplicates were identified in transaction data provided to the OIG. However, the revision had no impact on the findings, conclusions, and/or recommendations identified in this report. Specifically, the duplicates resulted in a reduction of 9 purchases valued at \$22,668 of purchases and sales taxes of \$2,058.

transactions. Any sales tax paid represents funds that could have been put to better use.

Recommendations

We recommend that the Office of Management and Administration:

1. Review the transactions we identified for which PBGC paid sales taxes and (a) determine whether it is economically feasible to obtain refunds and (b) if determined to be economically feasible, obtain refunds for those transactions.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD, upon receipt of the draft report, determined which purchases were economically feasible to recover using the fully burdened hourly rate of a GS-13 employee and assumed the total time to coordinate a tax refund with the vendor to be one hour on average. Of those, they will identify the transactions in which they will seek tax reimbursement by reviewing all supporting documentation to verify tax was charged and not reimbursed. This process will exclude purchases made by those individuals who are no longer cardholders as vendors will not reimburse to a different purchase card. For those identified transactions, PD will work with cardholders to seek reimbursement and documentation for the identified transactions. OMA's goal is to complete the planned actions by May 27, 2022.

Closure of this recommendation will occur when PD obtain refunds for those transactions for which it was determined to be economically feasible.

2. Incorporate Federal and PBGC policies regarding paying sales taxes into annual training for cardholders and Authorizing Officials.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD will make updates to the Purchase Card Manual to include the additional regulatory authorities that require PBGC's purchases to exclude tax. Additionally, the Annual Training will be updated to cover the responsibilities of the cardholder more thoroughly in recovering taxes and how to properly document any taxes charged and if tax was recovered. Lastly, the Agency

Program Coordinator will introduce a new tax-exempt certification process during the FY22 Annual Training for cardholders to complete and submit with their monthly reconciliation packages. OMA's goal is to complete the planned actions by July 29, 2022.

Closure of this recommendation will occur when PD updates the Purchase Card Manual and their Annual Training to cover paying, documenting, and recovering sales tax and introduce their new tax-exempt certification process.

Finding 2: In Contravention of Regulations, Laws, and Policies, Documents Were Missing or Incomplete.

The Government Charge Card Abuse Prevention Act of 2012 requires:

The head of each executive agency that issues and uses purchase cards to establish and maintain safeguards and internal controls to ensure, among other things, there is a record in each executive agency of each holder of a purchase card issued by the agency for official use, annotated with the limitations on single transactions and total transactions that are applicable to the use of each such card by that purchase card holder.

OMB Circular A-123 states, Relevant records, including copies of required training certificates, must be maintained by appropriate agency personnel consistent with National Archives and Records Administration (NARA). In addition, PBGC's Purchase Card Manual requires:

- The Agency Program maintain an up-to-date list of Cardholders and Approving Officials and ensure the accuracy of program participant information in US Banks database.
- Department Directors request the appointment of the Cardholder and Approving Official via memorandum or email and forward that request to the agency program coordinator. Then the agency Coordinator establishes a file for each Cardholder and Approving Official, placing a copy of the appoint request document and training certificates in the file. After the account is approved, the Agency Coordinator distributes the card to the new Cardholder along with the Delegation of Authority Letter, which should identify the Cardholder's single and monthly purchase limits.
- The Agency Program Coordinator issues a Delegation of Authority letter to the Approving Official identifying the name of each Cardholder and their purchase

limits, and a copy of the letter is to be stored in the Agency Program Coordinator files.

We identified nine cardholders who made transactions in FY 2019, but whose names did not appear on the APC list of active and closed/inactive accounts, despite the assurance by the APC that the list is updated frequently. We also identified five cardholders who did not have a request for appointment document, which PBGC's manual requires the APC to maintain; one Approving Official who did not have a training certificate on file; one cardholder who did not have a Delegation of Authority letter; and one Delegation of Authority letter that was not signed (a requirement that was recently implemented) and dated. (Later, in response to our request, a signed copy of the Delegation of Authority letter and the missing Delegation of Authority letter were added to the cardholder's folders.)

We also found that the Purchase Card Coordinator has not regularly updated the records for cardholders as required. As a result, the accuracy of the program participant information on the list the APC maintains has not been verified, nor has it been ensured that purchase card standards are consistently followed. If information is not captured in records that are accessible in organized files or electronic recordkeeping systems, it will not be available when later needed; this leads to less effective oversight. Also, poor documentation may result in PBGC being unable to account for its actions.

Recommendations

We recommend that the Office of Management and Administration:

3. Update the SharePoint records whenever documents are updated, or new documents are created.

PBGC's Response and OIG's Evaluation

Resolved. PBGC concurred with the recommendation. OMA stated that PD will implement an automated tool to gather and update key documentation, including approvals and electronic signatures. The tool will have role-based permissions and will follow all PBGC security and privacy policies. Additionally, the Agency Program Coordinator will review current records and work with Cardholders and Approving Officials to ensure that the program records are accurate. Lastly, PD will update the Purchase Card Manual to include requirements for purchase card files, standardization of the single purchase limit, and a new process to nominate, delegate and terminate cardholders, checkwriters, and approving officials. OMA's goal is to complete the planned actions by September 30, 2022.

Closure of this recommendation will occur upon successful completion and usage of the automated tool and update of the Purchase Card Manual.

Appendix I: Objective, Scope, and Methodology

Objective

Our objective was to analyze the risks of illegal, improper, or erroneous purchases and payments associated with PBGC's Purchase Card Program to determine whether the Corporation's internal controls are sufficient to detect and prevent fraud, waste, and abuse.

Scope

Our scope was an evaluation of all transactions from October 1, 2018, through June 9, 2021 – the day when the datasets were retrieved. While this scope overlapped with timeperiods of several other OIG reports related to purchase cards, this review reported different issues than the previous reports. Due to the COVID-19 pandemic and related telework guidance, we performed fieldwork via remote access to our facilities at PBGC headquarters in Washington, D.C. from May 2021 through September 2021.

Per OMB guidance, during the pandemic, PBGC remains operational with maximum telework flexibilities available to those employees eligible to telework since March 19, 2020. When, due to the pandemic, cardholders were unable to go to the office to retrieve the documents we requested, we did not require them to go. As a result, we did not receive all documents requested or the documents we received were not complete. Therefore, we did not develop a condition/finding for the documents that were not provided to us.

Methodology

We reviewed government-wide laws, regulations, and policies related to the use of purchase cards, as well as PBGC purchase card policies and procedures. We reviewed internal controls significant within the context of our objective.

We met with PBGC Purchase Card Program officials to discuss access to documentation and identify operating procedures. We also communicated via email with program staff and cardholders for documents. We tested the implementation of policies by reviewing the documentation to determine whether policies for issuing and using purchase cards were followed, purchases and payments to US Bank were authorized,

records were reconciled, and oversight was performed.

Via the Program Coordinator, we obtained data from US Bank for all purchase card transactions in the evaluation period. We assessed the reliability of the data by testing a sample of transactions against supporting documentation and determined that the data was sufficiently reliable for the purpose of our evaluation. In addition, we constructed models to analyze all transactions for unusual spending activities purchases including sales tax payments, and use of lost or stolen cards. We also looked for transactions made outside normal business hours, from restricted, blocked or poorly patronized merchants, and out of the ordinary items.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that we plan and perform an engagement to obtain sufficient and appropriate evidence to provide a reasonable basis for our conclusions and observations based on our objective. We believe that the evidence obtained here provided a reasonable basis for our conclusions and observations based on our evaluation objective.

Appendix II: Agency Response



March 3, 2022

MEMORANDUM

To: Nick Novak
Inspector General

From: Juliet Felent JULIET FELENT Digitally signed by JULIET FELENT
DN: cn=JULIET FELENT, o=PBGC
for
Alice Maroni
Chief Management Officer

Subject: Response to OIG's Draft Report on PBGC's Purchase Card Program

Thank you for the opportunity to comment on the Office of the Inspector General's (OIG) draft report relating to Pension Benefit Guaranty Corporation's (PBGC) Purchase Card Program (Project No. EV 21-157). Your office's work on this is appreciated. PBGC management concurs with the report's findings and recommendations. In the attachment to this memorandum, you will find our specific responses to each recommendation included in the report, along with planned corrective actions and scheduled completion dates. Addressing these recommendations in a timely manner is an important priority for PBGC.

cc:
Frank Pace, Director, Corporate Controls and Reviews Department
Juliet Felent, Director, Procurement Department

Our comments on specific recommendations in the draft report are as follows:

- 1. Review the transactions we identified for which PBGC paid sales taxes and (a) determine whether it is economically feasible to obtain refunds and (b) obtain refunds when practicable for those transactions for which it was determined to be economically feasible. (OIG Control Number 2022-10-01)**

PBGC Response: Management concurs with this recommendation. Upon receipt of the draft report, we determined which purchases were economically feasible to recover using the fully burdened hourly rate of a GS-13 employee and assumed the total time to coordinate a tax refund with the vendor to be one hour on average. Of those, we will identify the transactions in which we will seek tax reimbursement by reviewing all supporting documentation to verify tax was charged and not reimbursed. This process will exclude purchases made by those individuals who are no longer cardholders as vendors will not reimburse to a different purchase card. For those identified transactions, the Procurement Department (PD) will work with cardholders to seek reimbursement and documentation for the identified transactions.

Scheduled Completion Date: May 27, 2022

- 2. Incorporate Federal and PBGC policies regarding paying sales taxes into annual training for cardholders and Authorizing Officials instances where sales tax was paid. (OIG Control Number 2022-10-02)**

PBGC Response: Management concurs with this recommendation. The Purchase Card Manual is the primary source of guidance for PBGC's Purchase Cardholders and Approving Officials. Updates will be made to the Purchase Card Manual to include the additional regulatory authorities that require PBGC's purchases to exclude tax. Additionally, the Annual Training will be updated to cover the responsibilities of the cardholder more thoroughly in recovering taxes and how to properly document any taxes charged and if tax was recovered. The Agency Program Coordinator will introduce a new tax-exempt certification process during the FY22 Annual Training for cardholders to complete and submit with their monthly reconciliation packages.

Scheduled Completion Date: July 29, 2022

3. Update the SharePoint records whenever documents are updated, or new documents are created. (OIG Control Number 2022-10-03)

PBGC Response: Management concurs with this recommendation. PD will implement an automated tool to gather and update key documentation, including approvals and electronic signatures. The tool will have role-based permissions and will follow all PBGC security and privacy policies.

At a minimum, the tool will:

- Track the nomination, delegation, and termination of cardholders, checkwriters, and approving officials with dates and approval signatures
- Track updates made to 30-day limits for cardholders with dates
- Track training due dates, certificates of completion, and send training reminders
- Track active and closed accounts

Additionally, the Agency Program Coordinator will review current records and work with Cardholders and Approving Officials to ensure that the program records are accurate. The Purchase Card Manual will be updated to capture the following:

- Requirements for purchase card files
- Standardization of the single purchase limit (\$10,000)
- New process to nominate, delegate and terminate cardholders, checkwriters, and approving officials

Scheduled Completion Date: September 30, 2022

Appendix III: Acronyms

AO	Approving Official
APC	Agency Program Coordinator
CBA	Centrally Billed Account
CO	Contracting Officer
ERISA	Employee Retirement Income Security Act
FAR	Federal Acquisition Regulation
FY	Fiscal Year
GSA	General Services Administration
IG	Inspector General
NARA	National Archives and Records Administration
OMB	Office of Management and Budget
PBGC	Pension Benefit Guaranty Corporation
PD	Procurement Department

Appendix VI: Staff Acknowledgement

Staff Acknowledgement

Charles Yao, Audit Manager; Tiara Grotte, Auditor-In-Charge; and Claudia Rodriguez, Student Trainee, made key contributions to this report.

Appendix VII: Feedback

Please send your comments, suggestions, and feedback to OIGFeedback@pbgc.gov and include your name, contact information, and the report number. You may also mail comments to us:

Office of Inspector General
Pension Benefit Guaranty Corporation
1200 K Street, NW, Suite 480
Washington, DC 20005

If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at (202) 326-4030.