



U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL

September 26, 2017

**MEMORANDUM NO:**  
2017-KC-0801

## *Memorandum*

**TO:** Keith W. Surber, Chief Procurement Officer, N  
Towanda A. Brooks, Chief Human Capital Officer, A

//signed//

**FROM:** Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

**SUBJECT:** Limited Review of HUD Government Purchase Card Transactions for Fiscal Year 2017

### **INTRODUCTION**

The Office of Inspector General (OIG) conducted an audit of the U.S. Department of Housing and Urban Development's (HUD) government purchase card program. We initiated the review based on our participation in a collaborative effort with other inspectors general under the direction of the Council of Inspectors General on Integrity and Efficiency (CIGIE) to issue a consolidated report to the Office of Management and Budget on government purchase card use. Our objective was to determine whether HUD made purchase card transactions that were potentially illegal, improper, or erroneous and to report the results of our review to CIGIE for use in their consolidated report.

### **METHODOLOGY AND SCOPE**

Our audit period generally covered October 1, 2016, through March 30, 2017. We performed our audit work from March through August 2017. We conducted onsite work at HUD headquarters in Washington, DC.

To accomplish our objective, we

- reviewed applicable laws and regulations;
- reviewed HUD's policies and procedures;

- interviewed HUD officials and officials from the HUD’s administrative contractor (the Accounting Resource Center), Bureau of the Fiscal Service, U.S. Department of Treasury; and
- reviewed purchase card data obtained from Citibank, HUD, and HUD’s administrative contractor.

We followed CIGIE’s provided methodology to plan the audit work, obtain an understanding of HUD’s internal controls over purchase cards, identify the universe of purchase card transactions, select the sample to be reviewed, review the sample, and submit our results for the consolidated report.

At CIGIE’s direction, we accessed Citibank’s Client Reporting System to obtain all purchase card transactions from October 1, 2016, to March 30, 2017. This search resulted in 2,925 purchase card purchases. To test the data reliability, we compared the names and transaction amounts in the Citibank system with HUD records for a small sample pertaining to fiscal year 2016 transactions and found the data to be adequate for our purposes.

We used CIGIE-provided data analysis tools to identify 368 purchase card purchases with indications that they were potentially improper. The tools were designed to identify purchases that occurred on weekends or holidays, that were made at restricted merchant category codes or third-party vendors, that occurred after the cardholder separated, that exceeded the single purchase limit, that contained sales tax, and that contained indications that they were split transactions.

We used a CIGIE-provided sample selection tool to select a sample of 46 transactions from the 368. We obtained and reviewed supporting documentation from HUD for each of the 46 transactions in our sample. We used CIGIE-provided file review procedures to determine whether the transactions were proper. CIGIE did not indicate to us that the results of the sample review could be projected to the universe of purchase card transactions.

We used a CIGIE-provided reporting tool to upload and provide the results of our file reviews to CIGIE. The tool allowed for a total of eight deficiencies: lacks approving official review, missing all documentation, lacks receipt, lacks preapproval, lacks receipt of goods or services, lacks written justification for any policy exception, questionable government need, and discrepancy in amount charged and invoice. For each deficiency identified, the tool allowed for a total of seven causes: transaction not reviewed or monitored, cardholder same as approving official, requesting official and cardholder is the same person, lack of policy, lack of training, agency lacks procedures to identify the error, and cardholder or approving official separated from the agency.

## **BACKGROUND**

CIGIE was statutorily established as an independent entity within the Executive Branch by the The Inspector General Reform Act of 2008 to address integrity, economy, and effectiveness issues that transcend individual Federal agencies.

To accomplish its mission, CIGIE identifies, reviews, and discusses areas of weakness and vulnerability in Federal programs and operations with respect to fraud, waste, and abuse. It develops plans for coordinated, governmentwide activities that address these problems and promote economy and efficiency in Federal programs and operations, including interagency audits.

In October 2016, The CIGIE Information Technology (IT) Committee initiated a governmentwide project to analyze and review government purchase card data to determine risks associated with purchase card transactions. The CIGIE IT Committee created algorithms for data analysis and to determine high-risk transactions. Additionally, the CIGIE IT Committee provided data analytical and statistical tools to support the CIGIE community reviews. These tools provided uniformity for processing and reporting the results across the CIGIE community.

The Office of the Chief Procurement Officer (OCPO) administered the HUD purchase card program with the assistance of the Office of Chief Human Capital Officer (OCHCO). OCPO established purchase card policies and used the Federal Acquisition Regulations at 48 CFR (Code of Federal Regulations) Part 24 to administer the program. OCHCO managed the day-to-day operations, including monitoring purchase card use. HUD used an administrative contractor to assist with placing blocks and unblocks on purchase cards in order to prevent cardholders from buying goods or services with certain merchant category codes that were previously identified as risky or outside of HUD’s normal operations. HUD used merchant category codes to identify transactions by merchant or by type of good or service purchased.

### **RESULTS OF REVIEW**

The following results will be transmitted to CIGIE:

Two out of forty six purchase card transactions contained deficiencies. However, none of these deficiencies were a result of missing all documentation, lacking preapproval, or questionable government need. Such deficiencies would indicate the transactions were potentially illegal, improper, or erroneous. The table below shows a breakdown of the deficiencies.

Deficiency description	Deficiencies in 46 transactions
Lacked a receipt of goods or services received	1
Lacked a written justification for any policy exception	1
<b>Total</b>	<b>2</b>

The one transaction that lacked a receipt of goods or services received occurred because it was not reviewed or monitored. The other transaction that lacked a written justification for any policy exception occurred because HUD lacked procedures to identify the error.

The following results contain information that is not required to be transmitted to CIGIE and will, therefore, not be transmitted to CIGIE:

The one deficiency occurred because HUD did not maintain a completed credit card control log. HUD purchase card policies required the cardholder to record and maintain the date goods or

services were received. If HUD had reviewed or monitored this transaction, it likely would have identified the missing control log and requested the cardholder provide one. However, given the low rate of occurrence of this deficiency and HUD's providing support showing all required approvals for the purchase, we do not consider it to be a significant deficiency. Therefore, we are not including any formal recommendations to correct the control weakness.

The remaining deficiency was charged to a restricted merchant category code without records showing a request for a merchant category code override. This deficiency occurred because HUD's administrative contractor did not always block merchant category codes when they should have been blocked. The contractor did not track the status of HUD block requests, and it did not use an automated system to unblock and block accounts according to HUD's requests. This weakness has been addressed with a recommendation in a separate report on HUD's purchase card program for fiscal year 2016 (report number 2017-KC-0009, issued September 26, 2017).

### **RECOMMENDATION**

We recommend that the Office of the Chief Procurement Officer and the Office of the Chief Human Capital Officer


- 1A. Review the two cardholders with incomplete approvals and determine whether the purchases were allowable and proper. If they were not for official government use, OCPO should determine whether the cardholders paid the credit bill for the improper charges, request reimbursement when applicable, and ensure that appropriate administrative sanctions are taken.

**Appendix A**

**Auditee Comments and OIG's Evaluation**

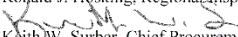
**Ref to OIG  
Evaluation**

**Auditee Comments**

 U.S. Department of Housing and Urban Development  
Washington, D.C. 20410

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CHIEF PROCUREMENT OFFICER **SEP 19 2017**

MEMORANDUM FOR: Rojald J. Hosking, Regional Inspector General for Audit, 7AGA  
FROM:   
Keith W. Surber, Chief Procurement Officer, N  
SUBJECT: Council of Inspectors General on Integrity and Efficiency (CIGIE)  
Draft Audit Report: Limited Review of HUD Government  
Purchase Card Transactions for Fiscal Year 2017

Thank you for the opportunity to comment on the subject draft audit report. We appreciate your auditors' willingness to consider our inputs and explanations in developing this report. We concur with the recommendation provided in the audit regarding the purchase card program, as there is room for improvement in some aspects of the program. We have reviewed the two transactions referenced, and the transactions were for official government use, allowable and proper. We believe this review has fully addressed recommendation 1A and is sufficient to close the recommendation.

If you have any questions concerning the comments, please contact OCPO's Audit Liaison Officer, Mr. Terry Price at (202) 402-2555 or Dr. Akinsola Ajayi, DACPO, Policy, Systems, and Risk Management at (202) 402-6728.

Comment 1

Comment 2

## **OIG Evaluation of Auditee Comments**

- Comment 1 We appreciate HUD's assistance and input throughout the audit, including HUD's willingness to openly discuss areas for improvement.
- Comment 2 We will work with HUD to verify the evidence needed to close the recommendation during the management decision process.