



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

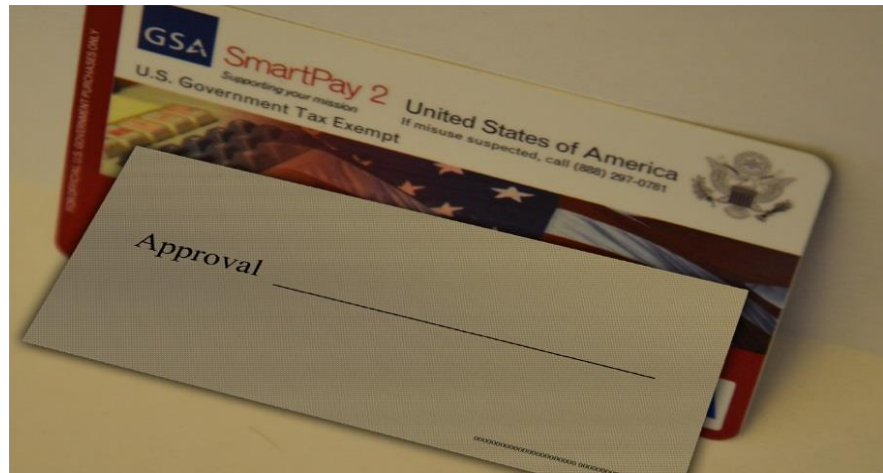


U.S. Chemical Safety Board

CSB Has Improved Its Controls Over Purchase Cards

Report No. 16-P-0260

August 11, 2016



Report Contributors:

Cara Lindsey
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Abbreviations

BFS Bureau of the Fiscal Services
CSB U.S. Chemical Safety and Hazard Investigation Board
OIG Office of Inspector General
OMB Office of Management and Budget

Cover photo: A government purchase card and an approval form. (EPA OIG image)

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At a Glance

Why We Did This Review

The Office of Inspector General (OIG) performed this audit to determine the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) compliance with the Government Charge Card Abuse Prevention Act of 2012. The act requires the Inspector General of each agency to conduct periodic assessments of the agency purchase card program to analyze the risks of illegal, improper or erroneous purchases.

In fiscal year 2015, the OIG conducted a risk assessment of CSB's purchase card program and, based on identified deficiencies, we determined CSB's program as high risk for illegal, improper or erroneous purchases and payments. As a result, we concluded an audit was needed in fiscal year 2016.

This report addresses the following CSB goal:

- *Preserve the public trust by maintaining and improving organizational excellence.*

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Listing of [OIG reports](#).

CSB Has Improved Its Controls Over Purchase Cards

What We Found

CSB has improved its internal controls governing purchase cards. CSB needs to continue to follow the regulations set forth in its Charge Card Management Plan and Office of Management and Budget's guidance governing agency purchase cards. Our audit sample of 11 transactions noted the following for three of those transactions:

CSB has lowered to low risk its purchase card program, for which it spent \$302,556 in fiscal year 2015.

- Two transactions, totaling \$5,500, were not approved prior to the purchase.
- For one transaction, for \$3,000, the purchase card statement included \$169 in taxes charged to the CSB purchase card. CSB's invoice did not have the taxes charged. The purchase card bank stated there was an issue with charges in the tax field on the statement. We determined that CSB did not pay taxes for this transaction.

CSB stated that cardholders occasionally make purchases before obtaining written approval, and it does not always recover taxes that are paid on investigator purchases. CSB has improved its purchase card internal controls, and is at a low risk for unauthorized purchases. We plan to conduct our required annual risk assessment in fiscal year 2017.

Recommendations and Planned Agency Actions

We recommend that CSB require additional purchase card training to all cardholders and charge card managers (including agency/organization program coordinator, approving officials and other accountable/billing officials). CSB stated it understands the importance of providing training, and is looking into training options. CSB provided a planned corrective action and completion date for our recommendation.

We also recommend that CSB perform a cost/benefit analysis to determine if it is beneficial to identify and correct any improper payments and recover taxes paid in fiscal year 2015 and subsequent purchases. CSB stated it tracks sales taxes for fiscal year 2016. Also, CSB completed a cost/benefit analysis, which concluded that it was not cost effective for CSB to identify and recover fiscal year 2015 sales taxes. CSB's completed corrective actions met the intent of our recommendation. Therefore, we closed this recommendation.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

August 11, 2016

The Honorable Vanessa Allen Sutherland
Chairperson and Board Member
U.S. Chemical Safety and Hazard Investigation Board
1750 Pennsylvania Avenue NW, Suite 910
Washington, D.C. 20006

Dear Ms. Sutherland:

This is the Office of Inspector General's (OIG's) report on the audit of the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) purchase card program. The project number for this audit was OA-FY16-0059. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final CSB position.

You completed corrective actions that met the intent of one of the recommendations, and provided planned corrective actions with a completion date for the other recommendation. As a result, you are not required to provide a written response to this report. However, if you submit a response, it will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", written in a cursive style.

Arthur A. Elkins Jr.

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Purpose

The Government Charge Card Abuse Prevention Act of 2012, at 41 U.S.C. § 1909(d), requires the Inspector General of each agency to conduct periodic assessments of the agency's purchase card or convenience check programs to analyze the risks of illegal, improper or erroneous purchases. Our objective for this audit was to determine CSB's compliance with the act.

Background

The U.S. Environmental Protection Agency's Office of Inspector General (OIG) is also the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB). Authorized by the Clean Air Act Amendments of 1990, CSB began operating in 1998 as an independent federal government organization. CSB's headquarters is in Washington, D.C., with an investigation office in Denver, Colorado. CSB's mission is to independently investigate significant chemical incidents and hazards, and effectively advocate for the implementation of resulting recommendations to protect workers, the public and the environment. Its vision is to be a recognized leader in protecting people and the environment from hazardous chemicals by issuing quality reports, high-impact recommendations, videos, and other educational tools that promote safety.

The President appoints, and the U.S. Senate confirms, CSB board members. The board Chairperson is responsible for agency administration, while the full board is responsible for major budgeting decisions, strategic planning and direction, general agency oversight, and approval of investigation reports and studies. During our audit, the board consisted of three board members and the Chairperson.

The Government Charge Card Abuse Prevention Act of 2012 reinforced administration efforts to prevent waste, fraud and abuse of governmentwide charge card programs. The 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. The act requires the OIG to conduct periodic risk assessments of an agency purchase card program to analyze the risks of illegal, improper or erroneous purchases. These risk assessments will be used to determine the necessary scope, frequency, and number of audits or reviews that it needs to conduct these programs.

Scope and Methodology

We conducted this charge card audit from December 2015 to July 2016 in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. 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 objective. We

believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We reviewed, analyzed and documented internal controls. We obtained 704 purchase card transactions with a total net value of \$302,556 for fiscal year 2015. We judgmentally selected a sample of 11 transactions, based on the amount and type of transaction, to review for legitimate purchases, proper authorization and approvals based on CSB's management plan requirements. We analyzed CSB's Charge Card Management Plan to determine if it had controls that prevented fraud, waste and abuse of purchase cards.

Prior Report

In fiscal year 2015, the OIG conducted a risk assessment of CSB's purchase card program. Report No. [15-N-0171](#), *CSB's Fiscal Year 2014 Purchase Card Program Assessed as High Risk*, issued June 29, 2015, assessed CSB's program as high risk based on the deficiencies we identified in CSB's program related to illegal, improper or erroneous purchases and payments. There were no recommendations in this report; however, we used the results of the assessment to determine an audit was needed in fiscal year 2016.

Results of Audit

CSB has improved its internal controls governing purchase cards. CSB should continue to follow the regulations set forth in its Charge Card Management Plan and Office of Management and Budget (OMB) guidance for purchase cards. Our audit sample of 11 transactions were found to be legitimate transactions, but we noted the following for three of those transactions:

- Two transactions, totaling \$5,500, were not approved prior to the purchase.
- For one transaction, for \$3,000, the purchase card statement included \$169 in taxes charged to the CSB purchase card. CSB's invoice did not have the taxes charged. The purchase card bank stated there was an issue with charges in the tax field on the statement. We determined that CSB did not pay taxes for this transaction.

CSB has improved its purchase card internal controls and is at a low risk for unauthorized purchases. Details on the issues we noted follow.

CSB Purchase Card Transaction Processes Need Improvement

CSB needs to improve its purchase card transaction processes. We identified two transactions, totaling \$5,500, that did not have documentation to support approvals from the immediate supervisor and the funding approver prior to the

purchase. For both of these transactions, the supervisory approval and the funding approval was after the check date and invoice date. According to CSB's Charge Card Management Plan, Section 6a:

For purchase charge cards, cardholders obtain pre-approval from their supervisors before making purchases. All purchase requests, after approved by cardholders' immediate supervisors, were also [to be] accompanied by funding approval by Managing Director.

CSB stated that cardholders occasionally make purchases before obtaining written approval. By not obtaining the proper approvals, misuse of purchase cards may occur.

CSB Needs to Identify Tax Payments as Improper Payments

During our transaction testing of CSB purchase cards, we identified one transaction for \$3,000 where the purchase card statement included \$169 in taxes charged to the agency's purchase card but the vendor's invoice did not have taxes charged for this transaction. We determined that CSB did not pay taxes for this transaction. For clarification, and at our request, CSB contacted the agency over its purchase card—the U.S. Department of the Treasury's Bureau of the Fiscal Service (BFS)—to obtain further explanation of the tax listed on CSB's purchase card statement. BFS provided the following statement from its bank, Citibank:

There will be times that items will appear in certain fields due to data passed through from the merchant not lined up with that field in the Citi system. Many times it could be quantity of items which is not a field captured in the Citi system, or per unit price. These data elements may appear in the tax field when passed through to Citi. It is good practice for the cardholder to confirm such data from the receipt provided by the merchant.

Citibank's response did not identify what the \$169 in the tax field represented. However, based on the vendor's invoice, no taxes were charged. In contrast, CSB also provided us with a transaction, outside of our sample, along with Citibank's explanation, where taxes are listed on the purchase card statement in the tax field and on the vendor's invoice. The taxes were charged to CSB's purchase card. Nevertheless, CSB stated that it does not always recover taxes that are paid on investigator purchases, but has asked cardholders to identify sales taxes on their purchase card logs. Specifically, the Finance Director stated that if an investigator has fifty cents on a purchase of batteries, she does not request that the investigator ask the vendor to remove the taxes.

OMB Circular A-123, Appendix B, Revised, Section 11.1, states "the federal government is not liable to pay taxes to state and local governments and, thus, any such taxes paid must be recovered." Also, CSB is required to identify any

overpayments as improper payments. According to OMB Circular A-123, Appendix C, Part 1, A 2:

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients....

CSB should identify the taxes paid as improper payments. When we presented this issue, CSB stated it has begun to track these payments as improper payments. CSB has created a spreadsheet that would track sales tax charges starting October 1, 2015.

According to CSB, when an accident occurs, the main focus is on the emergency and not on procedures. Investigators will purchase what they need during an emergency without getting the required pre-approvals. CSB stated that with the new Chairperson, it wants to make sure everyone is on the same page and working smarter and more efficiently. Therefore, CSB is requiring card holders to get additional purchase card training

Conclusion

In fiscal year 2015, CSB told us that BFS conducted a review of CSB's purchase card program and found that, overall, CSB purchases were well documented and necessary for the completion of CSB's mission. Also, BFS noted how well CSB purchase cardholders maintained supporting documentation and the forms they are required to complete. However, we found that CSB did not follow its own Charge Card Management Plan that requires obtaining pre-approval and funding approval for all purchase card transactions prior to making purchases, and CSB was not recording and recovering sales taxes as improper payments.

Based on the results of our purchase card audit, we determined that CSB is low risk. Therefore, we plan to conduct a required annual risk assessment, in accordance with OMB M-13-21, in fiscal year 2017.

Agency Actions Prompted by OIG Work

During our audit, CSB stated that on January 21, 2016, it sent a memorandum to all purchase cardholders on their responsibilities. Upon receipt, each cardholder was required to read and sign the document. CSB stated that it is working on an in-house purchase card module for cardholders.

CSB sent to OMB by the deadline an email transmitting its fiscal year 2015 Charge Card Management Plan, which included its completed compliance

summaries and internal control assurance assessments. CSB has established internal controls and safeguards for purchase cards, as required. Therefore, based on our audit for fiscal year 2015, CSB is compliant with these requirements.

Recommendations

We recommend that the Chairperson, U.S. Chemical Safety and Hazard Investigation Board:

1. Require additional purchase card training for all cardholders and charge card managers (including agency/organization program coordinator, approving officials and other accountable/billing officials). At a minimum, training should include state and local tax exemptions, and the importance of receiving and documenting approvals prior to purchases.
2. Perform a cost/benefit analysis to determine if it is beneficial to identify and correct any improper payments and recover taxes paid in fiscal year 2015 and subsequent purchases.

CSB Comments and OIG Evaluation

In response to Recommendation 1, CSB stated that it understands the importance of providing training. CSB has also stated that it is committed to providing training in addition to the BFS-required initial and 3-year refresher to each cardholder and managing official. CSB is looking into two possible training options: reviewing/revising its draft in-house training modules, or working with BFS to administer training. CSB is expecting to have this refresher training completed by the end of calendar year 2016. We agree with CSB's planned actions for Recommendation 1. This recommendation will remain open until completion of corrective actions.

In response to Recommendation 2, CSB stated that as of October 2015 it tracked sales tax charges for fiscal year 2016. CSB provided a cost/benefit analysis for fiscal year 2015 taxes that concluded it was not a good use of resources to review supporting documents for the 704 purchase card transactions. CSB's completed corrective actions met the intent of our recommendation. Therefore, we closed this recommendation.

CSB's complete response to our recommendations is in Appendix A.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	5	Require additional purchase card training for all cardholders and charge card managers (including agency/organization program coordinator, approving officials and other accountable/billing officials). At a minimum, training should include state and local tax exemptions, and the importance of receiving and documenting approvals prior to purchases.	O	Chairperson, U.S. Chemical Safety and Hazard Investigation Board	12/31/16	
2	5	Perform a cost/benefit analysis to determine if it is beneficial to identify and correct any improper payments and recover taxes paid in fiscal year 2015 and subsequent purchases.	C	Chairperson, U.S. Chemical Safety and Hazard Investigation Board	7/13/16	

¹ O = Recommendation is open with agreed-to corrective actions pending.

C = Recommendation is closed with all agreed-to actions completed.

U = Recommendation is unresolved with resolution efforts in progress.

CSB Response to Draft Report

U.S. Chemical Safety and Hazard Investigation Board

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Honorable Vanessa Allen Sutherland
Chairperson and Member

Honorable Manny Ehrlich, Jr.
Board Member

Honorable Rick Engler
Board Member

Honorable Kristen M. Kulinowski
Board Member



July 13, 2016

Mr. Kevin Christensen
Assistant Inspect General for Audits
Office of Inspector General
U.S. Environmental Protection Agency
1300 Pennsylvania Avenue, N.W., (2410T)
Washington, DC 20400

Dear Mr. Christensen:

Thank you for the opportunity to review your draft report, "FY 2016, U.S. Chemical Safety and Hazard Investigation Board, CSB Has Improved Its Controls Over Purchase Cards." We continue to work to improve our agency and welcome your feedback in achieving improvement. We reviewed the discussion document and provide the following comments on the two OIG recommendations:

Recommendation 1: Require additional purchase card training for all cardholders and charge card managers (including agency/organization program coordinator, approving officials and other accountable/billing officials). At a minimum training should include state and local tax exemptions, and the importance of receiving and documenting approvals prior to purchases.

We understand the importance of providing training to our employees so that they continue to grow and to support compliance within the agency. We are committed to providing training in addition to the Bureau of Financial Systems (BFS) required initial and three-year refresher to each cardholder and managing officials. The CSB is looking into two possible training options:

reviewing/revising its draft in-house training modules or working with its contractor (BFS) to administer training. We expect to have this refresher training completed by the end of the calendar year 2016.

Recommendation 2: Perform a cost/benefit analysis to determine if it is beneficial to identify and correct any improper payments and recover taxes paid in fiscal year 2015 and subsequent purchases.

We appreciate your attention to paid sales taxes paid needing to be identified as improper payments. As you reported, CSB now has a spreadsheet to track sales tax charges starting October 1, 2015; therefore, your recommendation seems applicable to FY 2015 transactions rather than FY 2016.

For the following reasons, we disagree with performing a cost/benefit analysis to determine if it is beneficial to identify and correct any improper payments and recover taxes paid in FY 2015. Our size and risk support that it would not be a good use of staff resources to review supporting documents for the 704 purchase card transactions from FY 2015 to identify sales taxes paid because:

1. The frequency and amount of sales taxes paid are minimal. For example, in FY2016, CSB paid sales taxes for 7 purchase card transactions, for a total of \$43.00 in taxes (an average of \$6.16 per transaction).
2. The frequency of, and amount of, sales tax recoveries are minimal. Of the seven sales tax transactions in FY 2016, only one was recovered for a total of \$8.22. Often vendors are not amenable to returning the taxes.
3. CSB guidance to cardholders is to request sales taxes be removed when transactions are made or when they review their monthly statements. As a result, cardholders have already attempted recovery in FY 2015, but unfortunately, the vendors refused. It is unrealistic to expect cardholders to be successful with a second recovery attempt of those same vendors over a year later.
4. It would be costly to pull and review receipts and purchase card logs for the 704 FY 2015 transactions and then follow-up with vendors to request tax recoveries. Again, based on our FY 2016 experience, recoveries have been minimal (e.g. less than \$50.00 in a fiscal year) while the staff time spent attempting recovery costs the agency upwards of \$50 per hour. (CSB Cardholders can earn over \$50 an hour.)
5. The BFS previously reviewed 58 FY 2015 CSB purchase card transactions as part of their annual review and did not identify any sales taxes paid. This indicates tax payments occurred very infrequently in FY 2015.

Finally, we would like to clarify that the sales taxes are sometimes paid on purchases by staff and field investigators because some vendors refuse to honor our tax exempt status. CSB cardholders are instructed to request that vendors remove the taxes, but if CSB needs an item and the vendor refuses, the cardholder can make the purchase and document in his or her purchase card logs that the vendor would not remove the taxes. When BFS flagged this issue as part of their FY 2007 purchase card review, BFS agreed that documenting the vendor's refusal in their purchase card log was an appropriate way to handle the situation.

Thank you for your consideration of our responses. If you or your staff has any questions about this response, please feel free to contact me or Anna Brown, Audit Liaison, at 202-261-7639.

Sincerely,

/s/

Vanessa Allen Sutherland
Chairperson and CEO

Distribution

Chairperson and Board Member, U.S. Chemical Safety and Hazard Investigation Board

Board Members, U.S. Chemical Safety and Hazard Investigation Board

Director of Administration and Audit Liaison, U.S. Chemical Safety and Hazard
Investigation Board

General Counsel, U.S. Chemical Safety and Hazard Investigation Board