

**AUDIT OF THE
PURCHASE CARD PROGRAM**

National Transportation Safety Board

Report Number: FI-2005-072

Date Issued: August 23, 2005



**U.S. Department of
Transportation**
Office of the Secretary
of Transportation

Office of Inspector General
Washington, D.C. 20590

August 23, 2005

The Honorable Mark V. Rosenker
Acting Chairman
National Transportation Safety Board
490 L'Enfant Plaza, S.W.
Washington, D.C. 20594

Dear Acting Chairman Rosenker:

This report presents the results of our audit of the National Transportation Safety Board's (NTSB) Purchase Card Program. The NTSB requested that we review the internal controls of its Purchase Card Program, to help ensure that weaknesses that existed in its previous small purchase program, called the Rapidraft Payment System, had been fully corrected.

In 1999, NTSB identified incidents of fraud in using the Rapidraft Payment System and requested an audit. We found that internal controls designed for the Rapidraft Payment System were not being followed, resulting in numerous weaknesses that left it vulnerable to fraud, waste, and abuse. The lack of internal controls under the Rapidraft Payment System allowed two former NTSB employees to embezzle over \$90,000 of Government funds. In both cases, the former employees fraudulently cashed the Rapidrafts made out to individuals rather than merchants. We issued a report recommending that NTSB replace the Rapidraft Payment System with the Government-wide Commercial Purchase Card Program.

The Rapidraft Payment System was discontinued at the end of September 1999. In 2002, NTSB established Board Order 1542A, "The NTSB-Sponsored Government Purchase Card Program." The Order constituted the principal policies and procedures for the distribution and use of the purchase cards. Subsequently, NTSB issued five Chief Financial Officer (CFO) standard announcements for the Program from July 2002 to September 2003, to augment oversight and controls. In March

2005, the Purchase Card Program was transferred from the Office of the CFO to the Office of Administration.

We focused our review on fiscal year (FY) 2004 purchase card transactions. During FY 2004, NTSB purchase cardholders made just over 2,800 purchases valued at approximately \$870,000.

Our objectives were to determine whether (1) purchases using the cards were reasonable, valid, and received and (2) NTSB's internal controls over the purchase cards were adequate to provide safeguards against fraud, waste, and abuse. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards prescribed by the Comptroller General of the United States and performed such tests as we considered necessary to detect fraud, waste, and abuse. Our scope and methodology are described in Enclosure 1.

RESULTS IN BRIEF

The design of NTSB's internal controls to help prevent fraud, waste, and abuse under the Purchase Card Program has improved appreciably when compared with the Rapidraft Payment System. In addition, the Office of the CFO issued guidance that improved both the oversight and controls to prevent improper use of purchase cards. The table below highlights the differences in the design of internal controls (see Table 1).

Table 1. Differences in the Design of Internal Controls Between the Rapidraft Payment System and the Purchase Card Program

Design of Internal Controls	Rapidraft Payment System	Purchase Card Program
Prevent Payment to Individual Employees	No	Yes
Establish Procedures to Block Purchases from Certain Merchants	No	Yes
Require Management Approval When Exceeding Single Purchase Limitation of \$2,500	No	Yes
Establish Dollar Limitations for Individual Employee Accounts	No	Yes
Ability for Immediate Cancellation and/or Suspension of Individual Employee Accounts	No	Yes
Ability to Review Cardholder Statement Based on Transaction Dates, Merchants, or Individual Employee Purchases	No	Yes
Ability to Obtain Tailored Reports, Such as Multiple Purchases from the Same Merchant on the Same Day or Consecutive Days, Purchases on Weekends and Holidays,	No	Yes

Purchases Greater than \$2, 500		
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However, we identified problems with implementation of the CFO guidance. Specifically, when NTSB management certified purchase card transactions as valid and received, it did not review required supporting documentation--proof of purchase and receipt. For example, over 40 percent of the purchase card transactions we sampled lacked proof of purchase (invoices) and about 80 percent of these transactions lacked proof of receipt. As a result, we could not determine whether these purchases were valid or were received, although we did not notice any unreasonable transactions.

Overall, internal controls over Government purchase card use were not effectively implemented to safeguard against fraud, waste, and abuse. Specific instances of controls not being properly implemented included:

- **Management did not review supporting documentation when approving purchase card transactions in most cases.** Our review found a pervasive lack of supporting documentation in the files presented for office management review and approval. For example, original invoices were presented for only 23 percent of sampled transactions. While approving officials accredited all transactions as valid purchases for the office, they did not perform the review required by the Order for most transactions, which mandated documentation supporting each purchase be attached to the cardholder statement report (Report NTS430) prior to certifying receipt and acceptance of goods and services. Therefore, management review could not be relied upon to ensure that the purchases were bona fide.
- **Separated employees' accounts at Citibank were not closed in a timely manner.** For 4 of the 10 purchase cardholders who separated from NTSB during FY 2004, it took more than 2½ months for their accounts to be closed at Citibank. This was because the purchase card program coordinator did not notify Citibank promptly when an employee with a purchase card separated from the Agency. Until an account is closed, the cardholder could still make purchases over the telephone or online with the account number and an active expiration date. However, our review found that none of these 10 separated cardholders made purchases on their accounts after separation.
- **Issuance of Government purchase cards was not adequately controlled.** NTSB management did not know that it inappropriately issued two purchase cards to one employee until we brought the issue to its attention. This happened because NTSB does not keep a record of all purchase cards authorized for issuance, and so it had no list that it could reconcile to the Citibank report. In addition, duties were not segregated—the Purchase Card

Program Coordinator was himself ordering and receiving purchase cards from Citibank. As a result, unauthorized purchase cards could be issued without management approval.

- **Management needs to improve the administration of the card program, training, record keeping, and annual program reviews.** NTSB had not provided any refresher training to purchase cardholders and approving officials since FY 2002.¹ Further, program management did not pay adequate attention to record keeping. For example, our review identified insufficient attention to cardholders approval applications and signed acknowledgment forms. In addition, NTSB did not conduct proper annual program reviews.² In 2004, NTSB combined this review with the annual Federal Managers' Financial Integrity Act of 1982 (FMFIA) review. It was too limited to provide adequate coverage for the Purchase Card Program.

NTSB has significantly improved its program for making small purchases and has established procedures that, if properly followed, should provide adequate protection from fraud, waste, and abuse. However, NTSB needs to enforce implementation of control procedures designed to prevent and detect improper use of Government purchase cards. We are making recommendations to enhance management review of purchase card transactions, removal of separated cardholders' accounts, annual program review, employee training requirements, and record keeping.

Management generally concurred with our findings and recommendations and in some cases completed the corrective actions. For example, it removed one of the two purchase cards that was inappropriately issued to an employee and separated the duty of ordering and receiving purchase cards from Citibank.

FINDINGS

Management Did Not Review Supporting Documentation When Approving Purchase Card Transactions In Most Cases

Based on our sample review, we estimate that \$771,000 out of \$870,000 of Government purchase card transactions made during FY 2004 lacked supporting documentation in their file to ensure proper management review and approval.³ This indicates that approving officials could not have examined supporting

¹ The Office of Administration provided purchase card training during the spring of 2005.

² When the purchase card program was transferred to the Acquisition Division, it issued Acquisition Bulletin 05, which states that the Acquisition Division will continue performing an annual review of the Purchase Card Program to ensure the policies and procedures are being adhered to and that the Program is operating effectively and within the intended parameters of the federal purchase card program.

³ Based on our simple random sample of 98 items, we are 90 percent confident that the amount of purchase card transactions that lacked adequate support was \$771,000 plus or minus 7 percent.

documentation when certifying cardholder statement reports for the appropriateness of purchase card transactions. This occurred because the approving official was not enforcing the requirement in the CFO Announcement Number 20-040 requiring that documentation supporting each purchase be attached to the cardholder statement report prior to certifying the receipt and acceptance of goods and services. Therefore, for those purchase card transactions lacking supporting documentation, NTSB does not have reasonable assurance that the purchases were proper.

Three NTSB offices accounted for approximately 94 percent of the dollars spent using purchase cards. The Office of Management purchased office supplies and equipment for the entire Agency, with the exception of the Office of the CFO, and accounted for 62 percent of the total purchases. In the Office of Aviation Safety, purchase cardholders used their cards to acquire goods or services in connection with accident investigations and accounted for 16 percent of purchases. The Office of the CFO purchased training for NTSB employees, in addition to its own office supplies and equipment (see Table 2).

Table 2. Breakdown of Transactions Related to Purchase Cards During FY 2004

Offices	Number of Purchase Cardholders	Number of Purchases	Total Purchase Amount
Office of Management	7	1,743	\$536,000
CFO	3	273	154,000
Aviation Safety	98	634	139,000
Highway Safety	8	118	18,000
Research & Engineering	7	42	17,000
Rail, Pipeline, & Hazardous Materials	21	29	4,000
Marine Safety	7	10	2,000
Others	7	0	0
Total	158	2,849	\$870,000

Proof of Purchases and Deliveries Not Available for Management Review

We selected a statistical sample of 98 purchase card transactions for review and found required supporting documents not submitted or original invoices not included in the submission for management review. A key control established by NTSB CFO Announcement Number 20-040, "Instructions for Processing the Purchase Card Statement," required approving officials to examine proof of purchase (invoice) and deliveries (acknowledgment of receipts) before signing the cardholder statement report that purchase cards were properly used to support

business needs. This announcement (dated September 11, 2003) outlines the process for providing receipt and acceptance of monthly purchase card transactions. According to the announcement, the cardholder statement report is the only document that can be accepted for certification of purchase card transactions. While all of the purchase transactions we reviewed were certified as valid Government purchases by approving officials, 43 percent did not have proof of purchase (invoices) and 79 percent lacked proof of receipt. Furthermore, about half of the invoices used for support were photocopies, which did not provide management with assurance that the support had not been altered. In addition, the approving official for the Office of Management was not reviewing purchase transactions listed on the cardholder statement reports but on a spreadsheet manually created by the purchase cardholder (see Table 3).

Table 3. Summary of Purchase Card Transactions Reviewed

NTSB Office	Total Purchase Amounts	Purchase Amounts Sampled	Number of Purchases Sampled	No Proof of Purchase	No Proof of Delivery	Cardholder Statement Signed by Cardholder/ Approving Official?
Office of Mgmt	\$536,119	\$25,468	73	40	66	No
Office of CFO	153,791	5,878	11	2	9	Yes
Office of Aviation	139,122	2,385	12	0	2	Yes
Other Offices	41,102	442	2	0	0	Yes
Total	\$870,134	\$34,173	98	42 (43%)	77 (79%)	N/A

We found most of the exceptions with purchases were made by the Offices of Management and CFO. The Office of Management was purchasing goods and services for all NTSB offices in the field. The Headquarters approving official was not mandating that the field office provide documentation supporting each purchase before certifying the receipt and acceptance of goods and services. In addition, we could not validate the receipt of training courses paid for by the Office of CFO. For example, there was no evidence in the files of any certificate of training or the certifying official's signature on the training form attesting that the training was completed.

Because of the lack of supporting documentation for most purchase card transactions, approving officials had nothing to examine in determining the appropriateness of these transactions before signing the cardholder statement

reports. Consequently, there is no assurance that items purchased complied with purchasing requirements and had a valid Government purpose. Without the proof of purchase to review, an approving official cannot verify that only requested items were purchased. Without the proof of delivery, an approving official cannot determine whether what was purchased was properly delivered. Reviewing copies instead of original supporting documentation increases the probability that alterations could have been made, such as to items purchased or to delivery addresses. We found that \$30,266 out of \$34,173 (89 percent) of purchases sampled was not adequately reviewed by NTSB approving officials. Therefore, we estimate that purchases worth \$770,513 out of \$869,999 made during FY 2004 did not follow procedures.⁴

Separated Employees' Accounts at Citibank Were Not Closed in a Timely Manner

The Order requires employees to turn in their Government credit cards and the Human Resources Division to notify the Agency coordinator when the cardholder separates from the Agency. Ten cardholders were separated from NTSB during FY 2004. We found that the 10 cardholders' accounts were closed between 9 days before their separation date and 199 days—over 6 months—after their separation date. See Table 4.

Table 4. Elapsed Days for Closing Purchase Card Accounts

Separated NTSB Employee	Date Separated From NTSB	Date Citibank Closed the Account	Number of Days Between Date Separated and Date Account Was Closed
Employee A	02/01/04	01/23/04	-9 days
Employee B	01/24/04	01/22/04	-2 days
Employee C	10/31/03	10/29/03	-2 days
Employee D	05/15/04	05/17/04	2 days
Employee E	07/31/04	08/04/04	4 days
Employee F	01/03/04	01/14/04	11 days
Employee G	10/04/03	12/17/03	74 days
Employee H	06/01/04	10//05/04	126 days
Employee I	04/30/04	10/05/04	158 days
Employee J	10/17/03	05/03/04	199 days

Although cardholders are required to turn in their Government credit cards upon separating from NTSB, until the accounts are actually closed with Citibank, the cardholders could still make purchases over the telephone with only the account

⁴ We are 90 percent confident that there are between 1,941 (73 percent) and 2,292 (86.2 percent) transactions that are missing either type of documentation.

number and an active expiration date. However, our review found that none of these 10 separated cardholders made purchases on their accounts after separation.

These delayed account closings happened because the Purchase Card Program coordinator did not notify Citibank in a timely manner to close the accounts of separated cardholders. The coordinator indicated that although he has been added to the notification list of new hires and separations issued by the Human Resources Division, the notifications are not sent promptly. The coordinator said he has no control over when he receives the notifications from the Human Resources Division.

Issuance of Government Purchase Cards Was Not Adequately Controlled

The Order requires each office director to approve and sign an application form for each purchase card account. We found that NTSB mistakenly established two purchase card accounts and issued two separate purchase cards to an employee without proper approval. Furthermore, NTSB officials were not aware that two purchase cards had been issued to this cardholder until we brought it to their attention. After being informed, NTSB officials cancelled one of the cards. This occurred because NTSB did not keep track of all purchase card accounts authorized for establishment. Therefore, NTSB did not have an active list of authorized accounts to reconcile against Citibank's list of outstanding accounts. Consequently, unauthorized purchase card accounts could be established without management approval.

We also found that the purchase card program coordinator both ordered and received purchase cards from the bank. The lack of separation between these two duties was reported as an internal control weakness in a previous audit. In response to a PricewaterhouseCoopers (PWC) audit recommendation in a January 2001 audit report, NTSB agreed to assign different individuals to order and receive purchase cards. The NTSB responded to the PWC recommendation by stating:

The duty of ordering purchase cards has been separated from the duty of receiving these cards. Thus, the Agency Card Coordinator will continue ordering cards; however, cards will be delivered directly to the Senior Contract Specialist for distribution.

The Purchase Card Program coordinator stopped receiving purchase cards in FY 2001, as a result of the audit recommendation; but we found that he resumed this duty in recent years, opening the possibility of obtaining purchase cards for unauthorized use. Since the FMFIA review of the Purchase Card Program is not as extensive as the separate program of annual review, the coordinator's resumption of ordering and receiving the purchase cards went unnoticed. However, we verified in FY 2004 that the coordinator had not made purchases and that no

purchase cards were issued to non-NTSB employees. After we brought the concern to NTSB management's attention, it reinstated the separation of duties. Currently, in the Office of Acquisition, the coordinator is responsible for distributing the new purchase cards, while another individual in his office is responsible for ordering the purchase cards.

Management Needs to Improve the Administration of the Card Program, Training, Record Keeping, and Annual Program Reviews

NTSB is not effectively monitoring and evaluating its Purchase Card Program. Oversight has been lacking in several areas, including (1) the training of card users and approving officials; (2) the insufficient attention to cardholder applications and acknowledgment forms, resulting in missing documentation in some cases; and (3) the annual program review (while combining this review with the FMFIA review was efficient, it did not provide adequate coverage for the purchase card program).

The Order requires new purchase cardholders to take the General Services Administration (GSA) online purchase card training. However, the Order does not specify when a purchase cardholder should take refresher training. The last time all purchase cardholders and approving officials were required to take the GSA online purchase card refresher training was in FY 2002. NTSB officials plan to revise their current policy to require all purchase cardholders and approving officials to take the GSA online training.

We also found NTSB should pay more attention to record keeping. For example, we had to verify purchase cardholders' and approving officials' training with GSA because NTSB could not locate training certificates in a timely manner. It took NTSB over 60 days to provide us with training certifications for the 23 employees selected for review—20 purchase cardholders and 3 approving officials. In addition to the training certificates, we asked for the approved applications and signed acknowledgment forms for the 20 purchase cardholders. Like the training certifications, it took NTSB over 60 days to provide us with the applications and acknowledgement forms. In addition, NTSB could not locate one of the applications for an employee, who was authorized to have two purchase card accounts; and could not locate acknowledgment forms for two purchase cardholders. NTSB needs to do a better job of retaining training certificates to support that purchase cardholders and approving officials were properly trained, as well as retaining the applications and acknowledgment forms.

Annual Review of Purchase Card Program Not Conducted as Required

As stated in the Order:

Each Office Director is responsible for reviewing at least annually all Cards used by his/her office to ensure that each employee meets the Office Director's criteria for continued participation in the Program. The CFO shall issue a memo initiating this review and directing when it shall be completed.

The newly established Office of Administration's Acquisition Bulletin 05 also requires each office director to conduct an annual review.

In FY 2004, NTSB combined the annual review with the FMFIA review. The combined review consisted of only a risk assessment questionnaire to be completed by the Purchase Card Program coordinator as part of the FMFIA review. We found that the combined review process was efficient, but it did not provide as detailed a review of the Purchase Card Program as the prior annual program reviews. The last annual program review, done in FY 2002, required that NTSB managers verify current purchase cardholders by acknowledging closed accounts for separated cardholders and transferred accounts when cardholders moved to another office. The CFO requested that the annual review include recertification of the training of the purchase cardholders, completion of the card administrative review, and an inventory of convenience checks. The FY 2002 annual program review specifically evaluated the adequacy and effectiveness of the Purchase Card Program and would be more likely to identify fraud, waste, and abuse than the examinations done as part of the FMFIA review.

RECOMMENDATIONS

To reduce the Purchase Card Program's vulnerability to fraud, waste, and abuse, we recommend that the Acting Chairman, NTSB, direct the Director of the Office of Administration to:

1. Verify that purchase card approving officials review the supporting documentation for purchase card transactions before signing and dating the cardholder statement report.
2. Require purchase card approving officials to notify the card program coordinator of the separation of purchase cardholders to ensure timely closeout of their accounts at Citibank.
3. Direct the card program coordinator to develop a list of NTSB employees with authorized purchase card accounts and periodically reconcile that list to Citibank's list of active purchase card accounts.

4. Direct the card program coordinator to develop training requirements for cardholders and keep better records of training certifications, applications, and acknowledgment forms.
5. Require the card program coordinator to expand FMFIA to include a more extensive review of the Purchase Card Program.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

A draft of this report was provided to NTSB for comments on July 25, 2005. The NTSB Acting Chairman responded on August 5, 2005, and concurred with all recommendations and provided planned actions except for recommendation 4 (see Enclosure 4 for complete management comments).

Specific changes by the NTSB and its planned actions on our recommendations are provided below:

Recommendation 1: The NTSB concurred. The Offices of Administration and CFO have developed new procedures for purchase card users. The procedures require that an office purchase card file be maintained with all supporting documentation, approvals, and invoices for each purchase. Cardholders are instructed to provide this file with their statement to the approving official for review and approval.

OIG Response: The NTSB's actions meet the intent of our recommendation.

Recommendation 2: The NTSB concurred. The program coordinator will modify the Purchase Card Operations Bulletin to incorporate language requiring notification of the separation of cardholders from NTSB. The program coordinator will also require the Office of Human Resources to notify him of any employee separations.

OIG Response: The NTSB's actions meet the intent of our recommendation. However, we request that the NTSB provide us with a timeframe for implementing the proposed corrective actions.

Recommendation 3: The NTSB concurred. The program coordinator receives a monthly listing from Citibank of NTSB employees with authorized purchase card accounts. The program coordinator is manually updating this listing to reflect any additions, separations, or accounts changes during the month. This updated listing is being used to ensure that only authorized accounts are included in future listings received from Citibank.

OIG Response: The NTSB's actions meet the intent of our recommendation.

Recommendation 4: The NTSB concurred. In April 2005, Headquarters Administration Officers and other key personnel were trained on the new purchase card procedures. The program coordinator is developing a plan to conduct training of all cardholders and approving officials.

OIG Response: The NTSB's actions meet the intent of our recommendation. However, we request that the NTSB provide us with a timeframe for the development of the training plan and clarify how often the training is required. In addition, we request NTSB provide us with its planned actions for enhancing its record keeping for training certifications, applications, and acknowledgement forms.

Recommendation 5: The NTSB concurred. The program coordinator will conduct a separate review of the purchase card program to determine its validity and effectiveness, in addition to asking individual program offices to complete an FMFIA risk assessment survey.

OIG Response: The NTSB's actions meet the intent of our recommendation.

The actions planned by NTSB are reasonable and should correct the deficiencies cited in this report. We request that NTSB provide specific corrective action dates for recommendations 2 and 4, and the planned action to enhance record keeping in recommendation 4 in 30 days.

We appreciate the courtesies and cooperation of the NTSB representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-1992 or Rebecca Leng, Deputy Assistant Inspector General for Information Technology and Computer Security, at (202) 366-1488.

Sincerely,



Theodore P. Alves
Principal Assistant Inspector General
for Auditing and Evaluation

Enclosures (4)

ENCLOSURE 1. SCOPE AND METHODOLOGY

This audit focused on the FY 2004 purchase card transactions valued at approximately \$870,000. The majority of the transactions were made by the Office of Management, Office of the CFO, and Office of Aviation Safety.¹

At the Department of the Interior National Business Center, the processing center for NTSB financial activities, we reviewed the supporting documentation for each of the 98 sample transactions to determine whether we could locate original documentation, such as, cardholder statement reports, proof of purchase (invoices), or proof of deliveries (receipt documentation). We also selected 23 individuals—20 purchase cardholders and 3 approving officials—to review whether they had taken the required GSA online purchase card training.

We interviewed NTSB approving officials in the Office of Management and Office of Aviation Safety to gain an understanding of the receipt and acceptance process of the monthly purchase card transactions. We interviewed the Purchase Card Program coordinator in the Office of the CFO to obtain an understanding of NTSB's purchase card policies and procedures and related internal controls. We also interviewed officials from the Office of Administration to gain an understanding of revisions to NTSB's purchase card policies and procedures and related internal controls. In addition, we contacted appropriate officials at Citibank and the GSA.

We reviewed the PricewaterhouseCooper LLP report dated January 12, 2001, which addressed NTSB's internal control weaknesses, including the Purchase Card Program. We followed up to determine if the recommendations in this report related to the Purchase Card Program were implemented by NTSB.

We performed our audit work from November 2004 through April 2005 at NTSB Headquarters in Washington, DC, and at the Department of the Interior National Business Center in Denver, Colorado. The audit was conducted in accordance with Generally Accepted Government Auditing Standards prescribed by the Comptroller General of the United States and included such tests as we considered necessary to provide reasonable assurance of detecting abuse or illegal acts.

¹ The Offices of Management and CFO is no longer centrally purchasing office supplies and services, and training for all NTSB employees as they did in 2004. The purchasing of office supplies and services and training is done by individual offices.

ENCLOSURE 2. ACTIVITIES VISITED OR CONTACTED

NTSB Headquarters, Washington, DC

- Office of Chief Financial Officer
 - ◆ Accounting Operations Division (Purchase Card Program)
- Office of Management
 - ◆ Office of Administration
 - ◆ Office of Aviation Safety

Department of the Interior's National Business Center, Washington, DC

General Services Administration (Purchase Card Program)

Citibank (Purchase Card Program)

ENCLOSURE 3. MAJOR CONTRIBUTORS TO THIS REPORT**THE FOLLOWING INDIVIDUALS CONTRIBUTED TO THIS REPORT.**

<u>Name</u>	<u>Title</u>
Gary B. Fishbein	Project Manager
Clarence Fujimoto	Senior Auditor
Dr. Eugene Adcock	Statistician

ENCLOSURE 4. MANAGEMENT COMMENTS**National Transportation Safety Board
Washington, D.C. 20594**

Office of the Chairman

August 5, 2005

Mr. Kenneth M. Mead
Inspector General
Department of Transportation
400 7th Street S.W.
Washington, D.C. 20590

Dear Mr. Mead:

Thank you for the opportunity to provide comments to the draft report on the Purchase Card Program. I agree with the conclusions and am providing the following comments on the recommendations contained in the report.

We are pleased that you have recognized a number of actions that we have taken to improve our internal controls over the Purchase Card Program. In April 2005, the Acquisition Division assumed overall management of the NTSB Purchase Card Program. The Acquisition Division worked with the CFO to develop new procedures for purchase card use and conducted refresher training for the Headquarters Administrative Officers and other key personnel on the new purchase card procedures.

Please call me at 314-6035 or Steven Goldberg at 314-6210 if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark V. Rosenker".

Mark V. Rosenker
Acting Chairman

Enclosure

**IG Audit of the Purchase Card Program
FY 2004
Response to Recommendations**

Recommendation 1. Verify that purchase card approving officials review the supporting documentation for purchase card transactions before signing and dating the cardholder statement report.

Response: Concur. In April 2005, the Acquisition Division (AD-20) – now part of the Office of Administration (AD) – assumed overall management of the NTSB Purchase Card Program. Since this transition, AD-20 worked with the CFO to develop new procedures for purchase card use that requires the cardholder to receive approval from the approving official before a purchase is made, and requires that an office purchase card file be maintained with all supporting documentation, approvals, and invoices for each purchase. Cardholders are instructed to provide this file with their statement to the approving official for review and approval. AD-20 is verifying this process by conducting random audits of each purchase cardholder's records.

Recommendation 2. Require purchase card approving officials to notify the card program coordinator of the separation of purchase cardholders to ensure timely closeout of their accounts at Citibank.

Response: Concur. The program coordinator will modify the Purchase Card Operations Bulletin to incorporate language that requires notification of the separation of cardholders. In addition, the program coordinator will request the Office of Human Resources to notify him when an employee separates from the NTSB.

Recommendation 3. Direct the card program coordinator to develop a list of NTSB employees with authorized purchase card accounts and periodically reconcile that list to Citibank's list of active purchase card accounts.

Response: Concur. The program coordinator receives a monthly listing of all active cardholders and corresponding account numbers. This list is reconciled monthly with any activity during the previous month to ensure any additions, separations, or account changes have been completed accurately.

Recommendation 4. Direct the card program coordinator to develop training requirements for cardholders and keep better records of training certifications, applications, and acknowledgement forms.

Response: Concur. In April 2005, Headquarters Administrative Officers and other key personnel were trained on the new purchase card procedures and their accounts were re-activated for them to test these procedures before we implemented them agency-wide. The program coordinator issued training certificates to those individuals that successfully attended the training, and kept copies for documentation. The program coordinator is currently developing a plan to conduct training of all cardholders.

Recommendation 5. Require the card program coordinator to expand FMFIA to include a more extensive review of the Purchase Card Program.

Response: Concur. As stated in the new purchase card procedures, the program coordinator will conduct an annual review of the purchase card program to determine its validity and effectiveness. In addition, the program coordinator will complete the program risk assessment survey as part of the annual FMFIA program.