



## OFFICE OF INSPECTOR GENERAL

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### U.S. International Development Finance Corporation

# DFC Generally Implemented an Effective Government Charge Card Program for Fiscal Years 2020 and 2021

March 8, 2022

Audit Report DFC-22-002-C

1100 New York Avenue NW  
Washington, D.C. 20527  
<https://www.dfc.gov/oig>



# Report Highlights

Office of Inspector General

U.S. International Development Finance Corporation

## DFC Generally Implemented an Effective Government Charge Card Program for Fiscal Years 2020 and 2021

### What We Reviewed

The U.S. International Development Finance Corporation Office of Inspector General (DFC OIG) contracted with RMA Associates, LLC (RMA) to audit DFC's charge card program in accordance with the [Government Charge Card Abuse Prevention Act of 2012](#) (Charge Card Act). The Charge Card Act requires the OIG to conduct periodic reviews of DFC's charge card program for illegal, improper, or erroneous transactions to prevent fraud, delinquency, or misuse.

Our objectives were to (1) determine the level of risk of illegal, improper, or erroneous purchases and payments; (2) determine the scope, frequency, and number of audits or reviews to be conducted on the basis of a risk assessment; and (3) address the requirements of the Charge Card Act, OMB, and General Services Administration (GSA) requirements and standards. This was our first audit of DFC's compliance with the Charge Card Act.

### What We Found

DFC generally implemented an effective charge card program for FYs 2020 and 2021. Although we identified some weaknesses, we found DFC's charge card program was at moderate risk and we will conduct another review and assessment next year. Specifically, we noted that program policies do not address all controls outlined in Appendix B to OMB Circular A-123; no prior audits have been conducted on the charge card program; and the total projected monetary impact of the purchase card findings averaged 51 percent of the total amount of purchase card transactions across FYs 2020 and 2021. For example, we found that DFC failed to retain purchase card records as defined in the purchase card management plan, resulting in unsupported questioned costs related to missing documentation estimated to be \$381,756. Similarly, we found that DFC was not compliant with their purchase card and travel card policies and management plan as sample transactions were erroneous due to non-compliance, resulting in unsupported questioned costs associated with these issues estimated to be \$371,331. In total, our audit found non-compliances that resulted in estimated unsupported questioned costs totaling \$753,087. The results of next year's audit will determine if future annual audits are required.

### Our Recommendations

We made four recommendations to DFC's Vice President and Chief Administration Officer and the Vice President and Chief Financial Officer that will help strengthen management of the charge card program.



**OFFICE OF INSPECTOR GENERAL**

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**U.S. International Development Finance Corporation**

**Date:** March 8, 2022

**MEMORANDUM FOR:** MR. KERON WHITE  
VICE PRESIDENT AND CHIEF ADMINISTRATIVE OFFICER  
(CAO)

MS. MILDRED O. CALLEAR  
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER  
(CFO)

**FROM:** Anthony “Tony” Zakel  
Inspector General

**SUBJECT:** Final Report – (DFC Generally Implemented an Effective  
Government Charge Card Program for Fiscal Years 2020 and 2021)  
(Project Number DFC 22-002-C)

This report presents the results of our audit of DFC’s Charge Card Program. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of RMA Associates, LLC to conduct the audit. In carrying out its oversight responsibilities, OIG reviewed RMA’s report and related audit documentation and inquired of its representatives. We found no instances in which RMA did not comply, in all material respects, with applicable standards.

We appreciate the cooperation and courtesies provided by your staff during this engagement. If you have any questions or need additional information, please contact me at 202-408-6246.

Anthony “Tony” Zakel  
Inspector General

Attachment

cc: Scott Nathan (CEO)  
Rebecca Brocato (Chief of Staff)  
Allan Villabroza

Jana Brooks  
William Ellett  
Adam McDermott  
Lakeshia Major  
Courtney Holbrook  
Ryan Zalaskus  
Eric Styles

**U.S. International  
Development Finance Corporation (DFC)**

**DFC Generally Implemented an Effective  
Government Charge Card Program for Fiscal  
Years 2020 and 2021**

**Final Report**

Order Number: 140D0421F0244

Date: March 8, 2022

**RMA Associates, LLC**

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March 8, 2022

Anthony Zakel, Inspector General  
Office of Inspector General  
U.S. International Development Finance Corporation

Dear Mr. Zakel,

RMA Associates, LLC (RMA) is pleased to submit our performance audit report over fiscal years 2020 and 2021 for DFC's government charge card program.

Our scope included testing management plans, testing samples of charge card (purchase card and travel) transactions for completeness and accuracy, and conducting a risk assessment.

RMA conducted this performance audit in accordance with Generally Accepted Government Auditing Standards, July 2018 Revision, with Technical Update in April 2021, issued by the Comptroller General of the United States of the Government Accountability Office. 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 audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We very much appreciate the opportunity to serve you and will be pleased to discuss any questions you may have.

Sincerely,

*RMA Associates*

RMA Associates, LLC  
Arlington VA

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## Background

The U.S. International Development Finance Corporation (DFC) helps bring private capital to the developing world. DFC was created by the [Better Utilization of Investments Leading to Development Act of 2018](#) (BUILD Act). DFC began operations in December 2019, consolidating the functions of its predecessor agencies, the Overseas Private Investment Corporation (OPIC) and the U.S. Agency for International Development’s (USAID) Development Credit Authority (DCA). The BUILD Act authorized DFC until October 2025 (seven years).

The [Government Charge Card Abuse Prevention Act of 2012](#) (Charge Card Act) was enacted to detect and prevent fraud, delinquency or misuse in each federal agency’s charge card program. The Charge Card Act requires the Office of Inspector General (OIG) to conduct periodic reviews of the charge card program for illegal, improper, or erroneous transactions. OIGs are required to use these risk assessments to determine the scope, number, and frequency of audits of federal charge card program.

Office of Management and Budget (OMB) [Circular A-123](#), Appendix B addresses controls, policies, and practices for the purchase card program. Risk Management controls, policies, and procedures are critical tools for ensuring the efficiency and integrity of the Charge Card Program.<sup>1</sup> These controls, policies, and practices are put in place with the intention of eliminating payment delinquencies, charge card misuse, fraud and other forms of waste and abuse.

OMB Circular A-123, Appendix B, also sets forth general training requirements for all charge card program participants. Specifically, all participants must be trained prior to appointment or receiving a purchase card; must take refresher training, at a minimum, every three years; and must certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions.

During the course of audit, RMA obtained the universe and evaluated data transactions for both purchase cards and travel cards over two fiscal years (FY) to assess the risk level associated with DFC’s charge card program (Table 1).

*Table 1: Size of DFC’s Charge Card Program*

Category	Purchase Cards		Travel Cards (Including Centrally Billed Account)	
	FY 2020	FY 2021	FY 2020	FY 2021
Dollar value of transactions	\$815,181	\$604,673	\$3,815,148	\$271,097
Number of transactions	427	324	1,481	179

<sup>1</sup> OMB Circular A-123, Appendix B, “A Risk Management Framework for Government Charge Card Programs,” (August 27, 2019).



## Objectives

This report presents the results of work conducted by RMA Associates, LLC (RMA) to address performance audit objectives related to DFC's FYs 2020 and 2021 audit of the government charge card program and risk assessment.

Our objectives for this audit are as follows:

1. **Objective 1:** Determine the level of risk of illegal, improper, or erroneous purchases and payments in DFC's Government Charge Card Program
2. **Objective 2:** Determine the scope, frequency, and number of audits or reviews to be conducted on the basis of a risk assessment
3. **Objective 3:** Address the requirements of the Charge Card Act, OMB and General Services Administration (GSA) requirements and standards.

## Scope

RMA conducted an audit of the government charge card program and risk assessment for FY 2020 and FY 2021, to include applicable procedures, certifications, documentation, and controls. Specifically, RMA reviewed evidence supporting purchases documented, reconciled monthly statements by DFC, and identified and quantified questioned purchases. This was our first audit of DFC's compliance with the Charge Card Act.

## Criteria

Provided below are the relevant criteria upon which the results of our testing are based:

- [Government Charge Card Abuse Prevention Act of 2012](#) (Charge Card Act);
- [Travel and Transportation Reform Act of 1998](#) (P.L. 105-264);
- [Chief Financial Officers Act of 1990](#) (P.L. 101-576);
- [31 United States Code \(USC\) §1111](#);
- [41 USC §1909](#);
- [10 USC § 2784](#);
- [OMB Memorandum M-17-26](#), *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda*, June 25, 2017;
- [OMB Circular A-123](#), Appendix B, A Risk Management Framework for Government Charge Card Programs, August 27, 2019; and
- [Generally Accepted Government Auditing Standards](#) (GAGAS), 2018 Revision, Technical Update April 2021.

## Summary of Results

DFC generally implemented an effective Government Charge Card Program for FYs 2020 and 2021. Specifically:

**Objective 1: Determine the level of risk of illegal, improper, or erroneous purchases and payments in DFC’s Government Charge Card Program.** RMA determined that DFC’s charge card program was at moderate risk given 1) program policies do not address all controls outlined in Appendix B to OMB Circular A-123; 2) no prior audits conducted on the charge card program; and 3) the total projected monetary impact of the purchase card findings averaged 51 percent of the total amount of purchase card transactions across FYs 2020 and 2021.

Per Appendix B to OMB Circular No. A-123, an annual audit is required for executive agencies with more than \$10 million in annual purchases under the charge card program. DFC’s charge card program did not surpass the \$10 million threshold for FY 2020 or FY 2021. If DFC’s charge card program surpasses this amount in future years, an annual audit will be required.

**Objective 2: Determine the scope, frequency, and number of audits or reviews to be conducted on the basis of a risk assessment.** Given the review of the current information, the results of our sample testing, and Appendix B guidance, we recommend another review next year to include an analysis of the purchase card and travel card program and an assessment after the results of next year’s audit to determine if future annual audits are prudent.

**Objective 3: Address the requirements of the Charge Card Act, OMB and GSA requirements and standards.** RMA obtained an understanding of DFC’s internal controls over applications, transactions, review and approval; and charge card management.

For DFC’s FY 2020 and FY 2021 OMB A-123 Appendix B assessment, RMA identified two findings related to both DFC’s purchase card and travel card program, four findings related specifically to DFC’s purchase card program, and three findings related to DFC’s travel card program. We made four recommendations to address the exceptions identified.

DFC management has indicated initial concurrence with the issues and the four recommendations. Appendix I includes the full text of management’s responses to these recommendations.

Appendix II contains a more detailed description of our methodology in achieving our audit objectives.

## Summary of Findings

### Finding 1: Purchase Card Policy Compliance

RMA found that DFC’s purchase card policies and procedures generally met the requirements of the Government Charge Card Act, but did not define the following purchase card internal controls as required by Appendix B OMB Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*:

1. Agency/Organization Program Coordinator (A/OPC) assigned to the office reviews and completes each charge card application accurately, with “accurately” defined;

2. Number of cardholders and Approving Officials (AOs)/Supervisors assigned to an A/OPC is “reasonable” based on the volume of cardholder activity and organizational structure; and
3. AO appointment process.

In addition, RMA found inconsistent refresher training requirements in the purchase card policies and procedures. The purchase card management plan requires refresher training at least every three years, which contradicts the purchase card guide that requires two years.

Due to the transition from OPIC to DFC in 2019, the process to update, modify, and distribute policies and procedures has not been finalized and DFC was in the process of updating their purchase card management plan and policies. The implementation of purchase card policies and procedures that did not capture all purchase cardholder requirements defined in Appendix B to OMB Circular No. A-123 may result in unauthorized personnel obtaining a charge card or being appointed as AOs.

DFC policies and procedures did not cover all required elements for charge card internal controls as required by Appendix B OMB Circular No. A-123. However, DFC adjudicated these findings during the course of the audit by conducting AO training to include the review and completion of card applications, and preparing a staffing analysis identifying the number of cardholders assigned to each A/OPC. Additionally, DFC finalized their purchase card management plan and issued them to responsible Acquisitions Division personnel. As such, RMA is not making a recommendation regarding these issues.

### **Finding 2: Purchase Card Policy Application – Refresher Training**

RMA identified two out of nine sampled employees in FY 2021 did not complete their purchase card refresher training within the three-year requirement.

DFC relied on the FedTalent system to send out automated training reminders. During the transition from OPIC to DFC, an administrative error occurred and employees who had purchase cards at OPIC were not properly flagged as needing periodic purchase card training at DFC.

Ensuring refresher training requirements are met will assist with ensuring the effectiveness of the agency’s internal controls over the purchase card program, which would increase the risk of fraud, misuse, and delinquency. During the course of the audit, DFC management took actions to ensure FedTalent was updated to properly notify personnel when refresher training was required; therefore, RMA is not making a recommendation regarding this issue.

### **Finding 3: Purchase Card Policy Application – Use of Purchase Card by an Unauthorized User for Training Purchases**

RMA found two training purchases in a sample of eighteen transactions for FY 2020 and one training purchase in a sample of eighteen transactions for FY 2021 were made by a person different than the purchase card cardholder.

DFC does not explicitly specify the allowable practice of routing training expenses from the purchase card cardholder to other authorized personnel. Purchase card policies and procedures that do not specify the authority of card use increase the risk of improper transactions.

DFC did not have the policies and procedures specifying training can be routed to other authorized personnel to purchase. During the course of the audit, DFC updated and finalized the purchase card management plan to include guidance regarding routing training expenses from the purchase card cardholder to authorized personnel associated with training. Therefore, RMA is not making a recommendation regarding this issue.

#### **Finding 4: Purchase Card Missing Documentation**

DFC failed to retain purchase card records as defined in the purchase card management plan. According to Appendix B OMB Circular No. A-123, DFC is required to retain its documentation consistent with agency policy. Based on our review of DFC's management plan, we noted that the cardholder must maintain purchase card documentation for a minimum of six years. The missing documentation includes preapprovals, monthly card statements, and receipts.

The transition from OPIC to DFC and the high turnover of staff in the Acquisition office resulted in the loss of prior year records. In addition, electronic filing was not mandated by the agency and purchase transactions were done manually and by paper. While there was no evidence of misuse of funds in the sample of transactions we reviewed as part of this audit, the lack of supporting documentation and/or expense authorizations not executed in accordance with DFC policy resulted in a projected (extrapolated) monetary impact of \$199,374 or 24 percent for FY 2020 and \$182,382 or 30 percent for FY 2021.

This impact is deemed a "questioned cost," and while there was no evidence of fraud, waste, or abuse in the sample of transactions we reviewed as part of this audit, the lack of documentation did not provide OIG with the evidence needed to support all costs in its tested sample, and thus the total monetary impact (unsupported questioned costs) related to missing documentation is estimated to be \$381,756<sup>2</sup>.

During the course of the audit, DFC management outlined and enforced a process to facilitate the tracking and retention of supporting documentation as prescribed in their purchase card management plan. This plan outlines the specific personnel responsible for ensuring the retention of supporting documentation and the oversight of those responsible for document retention. Therefore, RMA is not making a recommendation regarding this issue.

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<sup>2</sup> Our monetary impact has a 96% confidence interval and the details regarding the calculation are included in Appendix II.

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## **Finding 5: Purchase Card and Travel Card Non-Compliant Documentation**

DFC was not compliant with their purchase card and travel card policies and management plan as sample transactions were erroneous due to non-compliant: (1) preapprovals; (2) receipts; and/or (3) monthly card statements. Specifically, we found:

- Fifteen (15) preapprovals did not clearly grant the approval of a purchase.
- The support for nineteen (19) purchase card transactions and seven (7) travel card transactions were bill invoices, sales orders, or price quotations rather than receipts as required by DFC policy.
- Thirty-five (35) purchase card monthly card statements were not signed, dated, and approved by the Authorizing Official (AO).

DFC did not implement consistent preapproval procedures to clearly specify the approval of the request before approval. Additionally, DFC's purchase card and travel card policies and procedures do not specify what documentation qualifies as a receipt. Further, DFC did not fully understand the e-signature process when transitioning to a virtual environment for monthly purchase card statements.

Non-compliant pre-approvals increase the risk of erroneous purchases made by charge card holders. In addition, non-compliant receipts increase the chance of erroneous transactions occurring. Moreover, the lack of approval of the monthly purchase card statements increases the risk of unauthorized transactions.

While there was no evidence of misuse of funds in the sample of transactions we reviewed as part of this audit, the lack of certain definitions in policies and procedures as well as inconsistent and missing documentation led OIG to determine that some costs could not be fully supported. For DFC's FY 2020 and FY 2021 purchase card program, this resulted in projected monetary impact of \$227,689 or 28 percent for FY 2020 and \$119,861 or 20 percent for FY 2021. The total monetary impact (unsupported questioned costs) associated with these issues is estimated to be \$347,550.

For DFC's FY 2020 and FY 2021 travel card program, non-compliant receipts resulted in projected monetary impact of \$20,770 or one percent for FY 2020 and \$3,011 or one percent for FY 2021. While there was no evidence of fraud, waste, and abuse in the sample of transactions we reviewed as part of this audit, the above-mentioned issues led the OIG to conclude that the total projected (extrapolated) monetary impact (unsupported questioned costs) associated with these issues is estimated to be \$23,781.

While there was no evidence of fraud, waste, and abuse in the sample of transactions we reviewed as part of this audit, the above-mentioned issues led the OIG to conclude that the total projected

(extrapolated) monetary impact (unsupported questioned costs) associated with these issues is estimated to be \$371,331<sup>3</sup>.

**Recommendation 1:** RMA recommends that the Vice President and Chief Administrative Officer:

- Develop and implement a preapproval process. The preapproval should be approved by the respective AO/supervisor.
- Update purchase card and travel card policies and procedures to clarify what documentation qualifies as a receipt.
- Update purchase card policies and procedures to include guidance on providing e-signatures for monthly purchase card statements. In addition, e-signing training should be provided to AOs to facilitate the signing and dating of monthly purchase card statements.

**Finding 6: Policy on Cost Recoveries and Collections for Illegal, Improper, or Erroneous Payments**

DFC does not have policies associated with the recovery of employee debts including those incurred as a result of any illegal, improper, or erroneous purchases or payments.

Controls regarding the recovery of employee debts including those incurred as a result of any illegal, improper, or erroneous purchases or payments are not established because DFC has not incurred any prior instances.

The lack of a formal policy on the collection of employee debts may decrease DFC's ability to recover on these debts and minimize any effective deterrent to prevent employees from improper actions that might result in such debts.

**Recommendation 2:** RMA recommends that the Vice President and Chief Financial Officer amend applicable policies and procedures to include steps to ensure the recovery of employee debts including those incurred as a result of any illegal, improper, or erroneous purchases or payments. These steps should also specify the roles and responsibilities of personnel involved in this process.

**Finding 7: Travel Card Refresher Training**

DFC did not require travel card refresher training as defined in the travel card management plan.

The travel card refresher training was not held in FY 2020 as travel was highly limited due to the COVID-19 pandemic. Appendix B, OMB Circular No. A-123, requires all program participants to take refresher training in accordance with agency policy but, at a minimum, every three years.

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<sup>3</sup> Our monetary impact has a 96% confidence interval and the details regarding the calculation are included in Appendix II.



DFC travel cardholders that do not complete travel card refresher trainings within three years may not be informed of the most recent federal guidance, which increases the risk of fraud, misuse, and delinquency.

**Recommendation 3:** RMA recommends that the Vice President and Chief Administrative Officer provide and administer refresher training for travel cards at a frequency that allows all travelers to receive refresher training at least every three years.

**Finding 8: Travel Card Policy Compliance – Retention of Travel Card Applications**

DFC did not retain travel card applications submitted during the GSA SmartPay 2 Contract.

The transition from OPIC to DFC in 2019 and the high turnover of staff in the Acquisition office resulted in the loss of prior year records. Incomplete recordkeeping of travel card applications may result in unauthorized personnel being travel card cardholders.

DFC did not comply with their travel card policies and procedures to retain the travel card applications in FY 2020. However, DFC made improvement in FY 2021 as RMA found no retention issues in the FY 2021 sample testing. As such, RMA is not making a recommendation for this finding.

**Finding 9: Travel Card Policy Application – Travel Voucher Timeliness**

DFC did not submit Travel Vouchers (TVs) within the time requirement implemented in their travel card policies and procedures, as evidenced in Table 2 and Table 3.

*Table 2: Travel Card FY 2020 Sample Testing*

Sample	Type of Travel	Traveler Return Date	Due Date of TV Submission	TV Submission Date	Days over Time Requirement
TC20_1	International	10/8/2019	10/17/2019	10/22/2019	3
TC20_2	International	8/22/2020	9/1/2020	9/29/2020	20
TC20_4	International	1/25/2020	2/4/2020	2/12/2020	6
TC20_6	International	2/11/2020	2/20/2020	3/17/2020	18
TC20_7	International	3/5/2020	3/16/2020	3/26/2020	8
TC20_8	International	3/5/2020	3/16/2020	3/26/2020	8
TC20_9	International	11/8/2019	11/19/2019	1/19/2020	43
TC20_10	Domestic	10/19/2019	10/24/2019	12/4/2019	29
TC20_11	International	8/22/2020	9/1/2020	9/29/2020	20
TC20_12	International	11/22/2019	12/3/2019	1/17/2020	33
TC20_13	International	1/18/2020	1/28/2020	3/4/2020	26
TC20_14	International	11/5/2019	11/14/2019	11/27/2019	9
TC20_15	International	1/17/2020	1/28/2020	2/9/2020	8

Sample	Type of Travel	Traveler Return Date	Due Date of TV Submission	TV Submission Date	Days over Time Requirement
TC20_16	International	12/6/2019	12/17/2019	2/9/2020	38
TC20_17	International	12/6/2019	12/17/2019	2/9/2020	38
TC20_18	International	11/14/2019	11/25/2019	1/2/2020	28
TC20_19	International	11/14/2019	11/25/2019	1/2/2020	28
TC20_20	Domestic	2/11/2020	2/17/2020	4/2/2020	33

*Table 3: Travel Card FY 2021 Sample Testing*

Sample	Type of Travel	Traveler Return Date	Due Date of TV Submission	TV Submission Date	Days over Time Requirement
TC21_1	International	5/31/2021	6/9/2021	6/17/2021	6
TC21_2	Domestic	12/1/2020	12/7/2020	12/17/2020	6
TC21_6	Domestic	11/10/2020	11/16/2020	1/14/2021	41
TC21_7	Domestic	11/10/2020	11/16/2020	1/14/2021	41

DFC did not consistently implement its travel policy and procedures regarding the timely submission of travel vouchers. There was a lack of oversight and enforceability of the agency travel process, resulting in untimely submission of TVs. Untimely TV submissions could increase the risk of timely detection of erroneous transactions and could have Prompt Payment Act implications.

**Recommendation 4:** RMA recommends that the Vice President and Chief Administrative Officer document and implement an escalation process for untimely voucher submissions within the DFC Travel Policy.



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## Summary of Recommendations, Management Comments and Evaluation of Management Comments

### Recommendations

RMA recommends that:

- **Recommendation 1:** The Vice President and Chief Administration Officer develop and implement a preapproval process, the preapproval should be approved by the respective AO/supervisor; update purchase card and travel card policies and procedures to clarify what documentation qualifies as a receipt; and update purchase card policies and procedures to include guidance on providing e-signatures for monthly purchase card statements. In addition, e-signing training should be provided to AOs to facilitate the signing and dating of monthly purchase card statements.
- **Recommendation 2:** The Vice President and Chief Financial Officer amend applicable policies and procedures to include steps to ensure the recovery of employee debts including those incurred as a result of any illegal, improper, or erroneous purchases or payments. These steps should also specify the roles and responsibilities of personnel involved in this process.
- **Recommendation 3:** The Vice President and Chief Administrative Officer provide and administer refresher training for travel cards at a frequency that allows all travelers to receive refresher training at least every three years.
- **Recommendation 4:** The Vice President and Chief Administrative Officer document and implement an escalation process for untimely voucher submissions within the DFC Travel Policy.

During the course of the audit, DFC management outlined and enforced a process to facilitate the tracking and retention of supporting documentation as prescribed in their purchase card management plan. This plan outlines the specific personnel responsible for ensuring the retention of supporting documentation and the oversight of those responsible for document retention. Therefore, we are not making a recommendation regarding this issue as this should mitigate the missing documentation issues and the \$381,756 in estimated unsupported questioned costs identified during the audit.

Addressing Recommendation 1 will mitigate the issues related to non-compliant documentation and the \$371,331 in estimated unsupported questioned costs identified during the audit.

### Management Comments

DFC concurred with RMA's recommendations and the identified monetary impact with the following statements and implementation dates. See Appendix I for management's comments in their entirety.

For Recommendation 1, DFC’s Office of Administration concurred and stated, “*DFC is currently adapting its pre-approval process to better reflect new remote workplace roles, including the usage of e-signatures throughout the process. In addition, both purchase and travel card policies will be updated to better define what documentation constitutes a receipt. While these subjects will be addressed in the purchase and travel card policies that are currently being revised, DFC recognizes the importance of clarifying these requirements as quickly as possible. DFC will evidence resolution of this recommendation by providing the Inspector General with a memorandum issued to all DFC personnel that defines acceptable receipt evidence for purchase and travel card transactions and conveys charge card pre-approval requirements.*”

For Recommendation 2, DFC’s Office of Financial and Portfolio Management concurred and stated, “*DFC will develop and implement a policy surrounding the recovery of employee debts. DFC will evidence resolution of this recommendation by providing the Inspector General with the new policy and evidence of communication to relevant DFC personnel.*”

For Recommendation 3, DFC’s Office of the General Counsel concurred and stated, “*DFC is currently in the process of revising its travel policy, including how the periodic training requirement for employees with travel cards is enforced. To swiftly clarify this matter while the broader travel policy is being revised, DFC will evidence resolution of this recommendation by providing the Inspector General with a copy of a memorandum to all DFC personnel that reiterates travel card training requirements and the agency’s process to provide and administer initial and biennial refresher travel card training to travelers.*”

For Recommendation 4, DFC’s Office of the General Counsel concurred and stated, “*As previously stated, DFC is already in the process of amending its travel policy, including how DFC enforces timely travel voucher submissions. In keeping with our approach to resolving other recommendations in this report, DFC will evidence resolution of this recommendation by providing the Inspector General with a memorandum issued to all DFC personnel that conveys the agency’s escalation process for untimely voucher submissions.*”

Recommendations 1, 3, and 4 have a target implementation date of March 15, 2022, and Recommendation 2 has a target implementation date of June 30, 2022.

### **Evaluation of Management Comments**

RMA agrees with management’s comments regarding the recommendations and believe the actions stated will address the findings.

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## Appendix I: Management Comments



### MEMORANDUM

February 11, 2022

**TO:** Anthony Zakel  
Inspector General  
DFC – Office of the Inspector General

**FROM:** Scott Nathan  
Chief Executive Officer

**SUBJECT:** DFC's Management Comments to "DFC Generally Implemented an Effective Government Charge Card Program for Fiscal Years 2020 and 2021"

DFC appreciates the thorough analysis of its charge card programs performed by the Office of the Inspector General. Given that DFC is a newly established agency and one where global travel is a mission critical activity, the agency welcomed this opportunity for the Inspector General to assess its charge card programs and appreciated the deep collaboration that was realized between the Office of the Inspector General and DFC management.

The agency concurs with the four recommendations identified in the audit. As a testament to its many strong controls over its charge card programs and the agency's overall commitment to good governance and transparency, DFC is very pleased that no instances of fraud, waste, abuse, or misuse of funds were noted in the audit but acknowledges the questioned costs identified by the Inspector General and sees this as an opportunity to strengthen some processes. DFC recognizes the importance of supporting all costs incurred with appropriate documentation in accordance with agency policy and procedures and believes that addressing the Inspector General's recommendations will significantly diminish the potential for any future reporting of unsupported costs. DFC plans to address each recommendation, as follows:

**OIG Recommendation 1:** the Vice President and Chief Administration Officer develop and implement a preapproval process. The preapproval should be approved by the respective AO/supervisor; update purchase card and travel card policies and procedures to clarify what documentation qualifies as a receipt; and update purchase card policies and procedures to include guidance on providing e-signatures for monthly purchase card statements. In addition, e-signing training should be provided to AOs to facilitate the signing and dating of monthly purchase card statements.

**Management Response:** DFC is currently adapting its pre-approval process to better reflect new remote workplace roles, including the usage of e-signatures throughout the process. In addition, both purchase and travel card policies will be updated to better define what documentation constitutes a receipt. While these subjects will be addressed in the purchase and travel card policies that are currently being revised, DFC recognizes the importance of clarifying these requirements as

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quickly as possible. DFC will evidence resolution of this recommendation by providing the Inspector General with a memorandum issued to all DFC personnel that defines acceptable receipt evidence for purchase and travel card transactions and conveys charge card pre-approval requirements.

**Responsible POC:** Vice President, Office of Administration

**Target Implementation Date:** 3/15/22

**OIG Recommendation 2:** the Vice President and Chief Financial Officer amend applicable policies and procedures to include steps to ensure the recovery of employee debts including those incurred as a result of any illegal, improper, or erroneous purchases or payments. These steps should also specify the roles and responsibilities of personnel involved in this process.

**Management Response:** DFC will develop and implement a policy surrounding the recovery of employee debts. DFC will evidence resolution of this recommendation by providing the Inspector General with the new policy and evidence of communication to relevant DFC personnel.

**Responsible POC:** MD, Financial Management, Office of Financial and Portfolio Management

**Target Implementation Date:** 6/30/22

**OIG Recommendation 3:** Vice President and Chief Administrative Officer provide and administer refresher training for travel cards at a frequency that allows all travelers to receive refresher training at least every three years.

**Management Response:** DFC is currently in the process of revising its travel policy, including how the periodic training requirement for employees with travel cards is enforced. To swiftly clarify this matter while the broader travel policy is being revised, DFC will evidence resolution of this recommendation by providing the Inspector General with a copy of a memorandum to all DFC personnel that reiterates travel card training requirements and the agency's process to provide and administer initial and biennial refresher travel card training to travelers.

**Responsible POC:** Director, Travel

**Target Implementation Date:** 3/15/22

**OIG Recommendation 4:** the Vice President and Chief Administrative Officer document and implement an escalation process for untimely voucher submissions within the DFC Travel Policy.





**Management Response:** As previously stated, DFC is already in the process of amending its travel policy, including how DFC enforces timely travel voucher submissions. In keeping with our approach to resolving other recommendations in this report, DFC will evidence resolution of this recommendation by providing the Inspector General with a memorandum issued to all DFC personnel that conveys the agency's escalation process for untimely voucher submissions.

**Responsible POC:** Director, Travel

**Target Implementation Date:** 3/15/22

DFC is committed to the utmost levels of transparency and efficiency and looks forward to addressing the Inspector General's recommendations.

A handwritten signature in blue ink that reads "Scott Nathan". The signature is written in a cursive style and is positioned above a solid black horizontal line.

**Scott Nathan**

**Chief Executive Officer**

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## Appendix II: Methodology

In accordance with GAGAS, 2018 Revision Technical Update April 2021, RMA reviewed DFC's management charge card plans and policies for both FY 2020 and FY 2021. We analyzed the population of all purchase card and travel card transactions that occurred in FY 2020 and FY 2021 and selected samples to test the effectiveness of controls. To select our test sample, RMA used our proprietary Data Extraction and Analysis Procedures system (DEAPs). DEAPs, designed jointly by our in-house team of data scientists, statisticians, auditors, and CPAs, is a statistical sampling tool that uses mathematical algorithms to extract statistical data from a variety of information systems and stratifies the population into homogenous groups. This allows our team to effectively select samples based on the nature of testing performed (i.e., control testing). Stratification also increases the reliability of the samples and minimizes the risk that the sample is not representative of the population. After selecting a sample, we requested documentation to verify that DFC's purchase and travel card cardholders complied with DFC's policies and procedures and applicable laws and regulations.

We also assessed the reliability of the data by 1) reconciling the data to supporting documentation, 2) reviewing existing information about the data and the system that produced them, and 3) conducting a walkthrough with DFC personnel knowledgeable about the data. We determined that the data was sufficiently reliable for purposes of this report.

The sampling plan and methodology for each area tested and examined are described in more detail below.

### **Sampling Plan and Monetary Impact Projection:**

Our sample was selected from the population of purchase card and travel card transactions made in FY 2020 and FY 2021, excluding negative amounts that indicate reversals. For travel card transactions, samples were selected from the population of selected travelers due to the high dollar value of their total transaction amounts and average transaction amounts.

Since DFC has not had a prior Charge Card Program audit, a stratified random sample approach was applied based on high risk. The sample size is based on a 96 percent confidence level, 10 percent design precision, and an expected error rate of not more than 10 percent of the total dollar amounts in the audit universe.

Based on the results of the testing procedures performed on the statistical sample of payments, extrapolations were performed to the sampling to estimate the gross total payment amount. A 96 percent confidence interval was calculated for the estimated percentage of gross payment dollars in error. For purchase cards, we calculated the mean of \$729,306 in estimated payments in error with a range between \$656,695 and \$801,917. For travel cards, we calculated the mean of \$23,781 in estimated payments in error with a range between \$8,319<sup>4</sup> and \$47,628.

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<sup>4</sup> Lower limit amount in error of \$8,319 was adjusted from a negative number to the absolute value found in the travel card samples. As such, the mean value of \$23,781 is not the midpoint within its range.

We randomly selected samples using the stratified procedure in RMA DEAPs. Table 4 details the population of records and the resulting sample sizes for each charge card program.

*Table 4: Resulting Sample Size*

Category	Purchase Cards		Travel Cards		Centrally Billed Accounts		
	Fiscal year	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021
Population		427	324	612	58	869	121
Sample Size		18	18	20	12	27	14

### Assessment of Management Plans and Internal Controls

RMA assessed DFC’s management plans for both FY 2020 and FY 2021 against required elements per OMB Circular A-123, Appendix B and whether the policy outlined in the plans were followed.

Additionally, our team assessed DFC’s internal controls for the purchase card and travel card program for FY 2020 and FY 2021. The purpose was to assess the following controls:

- Application;
- Transaction;
- Review and approval; and
- Charge card management.

### Travel Card Testing

RMA obtained the universe and evaluated data transactions for travel cards over two fiscal years to assess the risk level associated with this area of DFC’s charge card program. The \$3,815,148 value of travel card transactions for FY 2020 consists of debits and credits of \$3,574,612 worth of Centrally Billed Account transactions and debits and credits of \$240,536 worth of individual travel card transactions for selected travelers with the highest dollar value of total transaction amounts and average transaction amounts. The \$271,097 value of travel card transactions for FY 2021 consists of debits and credits of \$235,944 worth of Centrally Billed Account transactions and debits and credits of \$35,153 worth of individual travel card transactions for selected travelers with the highest dollar value of total transaction amounts and average transaction amounts.

RMA tested travel approvals, travel vouchers, and monthly bank statements for selected samples for FY 2020 and FY 2021 to evaluate accuracy, completeness, and timeliness against the required elements per OMB Circular A-123, Appendix B and DFC management plans.

Sample testing of travel vouchers and monthly statements for the centrally billed account was also performed for FY 2020 and FY 2021.

Travel card training was tested for the FY 2020 and FY 2021 periods. In testing training compliance, we reviewed DFC's travel card policies and procedures and travel card management plans, certificates of completion for selected samples, and spreadsheets documenting the status of cardholder training completions.

### **Purchase Card Testing**

RMA obtained the universe and evaluated data transactions for purchase cards over two fiscal years to assess the risk level associated with this area of DFC's charge card program. The dollar value of purchase card transactions for FY 2020 consists of debits and credits of \$815,181. The dollar value of purchase card transactions for FY 2021 consists of debits and credits of \$604,673.

RMA tested approvals, receipts, monthly reconciliation cover sheets, monthly bank statements, and confirmation packages for selected samples for FY 2020 and FY 2021 to evaluate accuracy, completeness, and timeliness.

Purchase card training was tested for the FY 2020 and FY 2021 periods. In testing training compliance, we reviewed DFC's purchase card policies and procedures and purchase card management plans, certificates of completion for selected samples, and spreadsheets documenting the status of cardholder training completions.

### **Risk Assessment**

RMA conducted a risk assessment of DFC's charge card program by reviewing policies, procedures, and other controls applicable to the charge card program. Comparison of charge card documentation to monthly statements were used to identify patterns of improper, erroneous, or illegal charge card use and compare charge card trends between FY 2020 and FY 2021.



## Appendix III: Glossary of Acronyms and Abbreviations

Table 5 contains definitions of all acronyms and abbreviations used in this report.

*Table 5: Acronyms and Abbreviations*

Acronym	Definition
A/OPC	Agency/Organization Program Coordinator
AO	Approving Official
BUILD Act	Better Utilization of Investments Leading to Development Act of 2018
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CFO	Chief Financial Officer
COVID-19	Coronavirus Disease 2019
DCA	Development Credit Authority
DEAPs	Data Extraction and Analysis Procedures system
DFC	U.S. International Development Finance Corporation
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
GSA	General Services Administration
IG	Inspector General
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
RMA	RMA Associates, LLC
SPE	Senior Procurement Executive
TV	Travel Voucher
USAID	U.S. Agency for International Development