



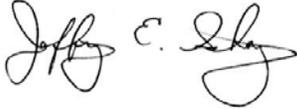
Office of Inspector General
Legal Services Corporation

Inspector General
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MEMORANDUM

TO: James Sandman
President, Legal Services Corporation

FROM: Jeffrey E. Schanz 
Inspector General

DATE: September 28, 2018

SUBJECT: Final Report – Audit of the Legal Services Corporation's Purchase Cards
(Report No. AU 18-04)

Attached is the Office of Inspector General final report on the results of the Audit of the Legal Services Corporation's Purchase Cards. The OIG reviewed your comments to the draft report. They are included as an appendix to the report.

Management agreed with all of the findings in the report and stated it will implement all ten of the recommendations. All of the recommendations will remain open until LSC Management has provided the OIG with evidence of the actions taken to address each recommendation identified in the report.

Please provide us with your response to the open recommendations by March 26, 2019.

We appreciate the cooperation and assistance extended by LSC Management and employees during our audit.

Attachment

cc: Ronald S. Flagg, Vice President of Legal Affairs
General Counsel & Corporate Secretary

David Richardson, Treasurer & Comptroller
Office of Financial and Administrative Services

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**FINAL REPORT ON AUDIT OF THE LEGAL
SERVICES CORPORATION PURCHASE CARDS**

Report No. AU 18-04

September 2018

www.oig.lsc.gov

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INTRODUCTION

The Legal Services Corporation (LSC) Office of Inspector General (OIG) conducted an audit to assess the adequacy and effectiveness of the General Services Administration (GSA) Purchase Card Program at LSC. The OIG conducted the audit work at LSC headquarters in Washington, DC.

LSC participates in the GSA SmartPay Program by way of Task Order 08-1610, under GSA Master Contract Number GS-23F-T0003, with Citibank as the card issuer since November 2013.

The Office of the Comptroller within the Office of Financial and Administrative Services (OFAS) administers the program. LSC's charge card program is comprised of three business lines: purchase cards, integrated cards and travel cards. Integrated cards combine purchase and travel functions into one payment solution. Citibank provides LSC with online access to account information and historical transactional data that allows administrators to manage the purchase, integrated and travel business lines in a comprehensive fashion. Concur is utilized by LSC cardholders to reconcile monthly billing statements and submit expense reports for review. Concur is an integrated travel and expense management software program that brings business travel booking and expense reporting together into one system. Supporting documentation is electronically attached to fulfill the requirements of complete expense report submission.

This audit focused on purchase cards and the purchase function associated with the integrated cards.

LSC has documented policies and procedures governing use of the purchase cards in Chapter 2 of LSC's Administrative Manual. The policies describe the Purchase Card Program and cardholder responsibility which includes prohibited use of the card for business-related travel or personal use. It also states that the Purchase Card Program is subject to the procurement and contracting protocols found in Chapter 1 of the LSC Administrative Manual. LSC's intranet, eWeb, also contains resources such as videos and tip sheets on the use of Concur. The Accounting and Procedures Manual describes the accounting processes undertaken by the Comptroller's Office to achieve financial objectives.

BACKGROUND

LSC established the GSA Purchase Card Program to simplify the procurement process. According to Task Order 08-1610 initiated with Citibank on July 1, 2008, LSC has three business lines or types of cards in use. The period of performance for LSC's Task Order with Citibank for all of its charge cards is from November 30, 2013 through November 29, 2018.

The Purchase Card Program, as described by the GSA SmartPay Program, is intended to provide payment solutions to federal government employees for official government purchases of supplies, goods, and services under the micro-purchase threshold¹. This makes the purchase account both a procurement and payment mechanism for micro-purchases. The purchases exclude long-term leases for land or buildings and travel-related expenses. The GSA Master Contract defines the parameters of the agreement and serves as a framework for the LSC program.

LSC is not bound by the laws and regulations applicable to federal agencies administering GSA purchase card programs. However, LSC complies, as best practices, with the federal laws and guidelines regarding purchase cards and payments with the intent of being good stewards of federal funds. To that extent, the OIG referred to the GSA SmartPay Program guidelines, LSC's Administrative Manual, eWeb, the Accounting and Procedures Manual and the following guidelines as standards to evaluate the program:

- GAO Standards for Internal Control in the Federal Government;
- OMB Circular-123 Appendix B, (provides guidance for all GSA SmartPay purchase and payment solutions)
- Government Charge Card Abuse Prevention Act of 2012; and
- The Prompt Payment Act.

LSC utilizes an electronic purchasing and management tool, referred to as the Checklist. It digitally collects, organizes and stores initial approval, competition-related materials, and written comments and justifications. The Checklist must be used for all purchase card purchases in excess of \$100.

Program Overview

LSC utilizes the Purchase Card Program to efficiently acquire products and services. The Comptroller's Office is charged with oversight and administration of the Purchase Card Program. This includes issuing, authorizing, canceling, reviewing, reconciling, modifying, and monitoring all activities related to card usage.

As shown in Tables 1 and 2, purchase cards are utilized by all departments at LSC. There were 15² cardholders with purchase authority during the audit scope period. Four were purchase cardholders and eleven were integrated cardholders. Funds expended by the

¹ A "micro-purchase" is defined by the Federal Acquisition Regulation (FAR) Subpart 2.101 as an acquisition of supplies or services, the aggregate amount of which does not exceed the micro-purchase threshold. The current micro-purchase threshold in FAR Subpart 2.101 is set at \$3,500. The micro-purchase threshold is subject to escalation for inflation every 5 years through a review by the FAR Council. FY15 was that year. This threshold and others set by FAR were increased as of 10/1/2015. At the time of a threshold increase, each agency handles the increase differently in terms of their implementation at the cardholder level.

² While 16 cardholders were initially selected, 1 cardholder was not reviewed for the purposes of this audit. Although LSC's purchase card listing indicated the cardholder was a purchase cardholder, our review indicated that he/she was a travel cardholder and thus not within the scope of our review.

cardholders totaled \$840,757. This amount includes travel related purchases made with integrated cards. Purchase and travel transactions for integrated cardholders were not separately disclosed. Integrated cardholders expended funds totaling \$700,444 during the same period.

Table 1 – Summary of Purchase Card Activity

Department	Purchase Cardholders	Transaction Count	Value
Executive Office (EXEC)	3	357	\$ 28,589
Office of Government Relations and Public Affairs (GRPA)	1	80	\$ 19,953
Office of Financial and Administrative Services (OFAS)	4	497	\$426,617
Office of Information Technology (OIT)	1	170	\$ 35,022
Office of Human Resources (OHR)	1	191	\$141,740
Office of Legal Affairs (OLA)	1	43	\$ 13,914
Office of Inspector General (OIG)	4	359	\$174,922
TOTAL	15	1,697	\$840,757

Table 2 – Summary of Purchase Card Activity by Card Type

Type of Card	Number of Cardholders	Number of transactions during audit scope	Funds expended during audit scope
Purchase	4	267	\$140,313
Integrated	11	1,430	\$700,444 ³
TOTAL	15	1,697	\$840,757

³ The number and amount of transactions for integrated cards is composed of purchase and travel expenses. To adhere to the objectives of the audit, travel expenses drawn into the sample were not tested.

OBJECTIVE

Our objective was to determine whether internal controls over purchase cards have been properly designed and implemented to help prevent fraud, waste and abuse by cardholders or others; and to determine whether administration activities and oversight activities over the Purchase Card Program are adequate.

AUDIT RESULTS

Objective 1: Have internal controls over purchase cards been properly designed and implemented to help prevent fraud, waste and abuse by cardholders or others?

Generally, yes. The OIG found that, in general, LSC properly designed and implemented controls over purchase cards. The disbursements process over the purchase card billing statements is adequate and comparable to the GSA SmartPay guidelines and the Prompt Payment Act. To test for timeliness of payments, appropriate approval and accounting of the payments, the OIG judgmentally selected a sample of six master statements totaling \$165,706. For all six master statements reviewed, payments to Citibank were made within 30 days as stipulated by the Prompt Payment Act. No instances of late fees or finance charges were found.

In addition, the Purchase Card Program's reconciliation and accounting process accurately and completely reflected the purchase card activity in the LSC accounting system. All the general journal entries reviewed fully reconciled the Citibank payments to the Concur expenses. The reconciliation process was adequate and had appropriate system controls and segregation of duties.

However, it was noted that OFAS could strengthen existing procedures and controls in the following areas.

PROCUREMENT

Purchase cardholders are responsible for initiating the purchase process. Approvals are required for purchases over \$100 and the Checklist serves as an approval form for these purchases. All goods and supplies for the OIG and LSC are delivered to the central mailroom where mailroom staff record and deliver them to the purchasers. The purchase cardholder is required to reconcile their expenses to the monthly statements. The OIG tested 136 purchase transactions totaling \$299,777, which represented approximately 36 percent of the \$840,757 disbursed. The transactions reviewed were allowable. However, internal controls in the following areas need improvement.

Checklists not used for purchases over \$100

Eight transactions totaling \$9,728 were missing requisite Checklists.

- Six (6) transactions totaling \$3,681 were made by one cardholder for Board of Directors' meetings and related expenses. There were no Checklists attached to the expenses that included group travel, hotels and catering, though they fit the definition of purchases as per LSC's purchasing protocols.
- One transaction totaling \$5,798 was accompanied by the wrong Checklist form. The Checklist on file was for Purchases Under \$5,000 although the purchase amount was over \$5,000. The correct Checklist would have required a Needs Assessment and review of funds sufficiency by the Comptroller.
- One transaction totaling \$249 was missing the Checklist required for all purchases and contracts over \$100.

Two transactions totaling \$425 were made by two cardholders in the OIG. The OIG maintains its own Checklists for goods and services procured by that office. Therefore, LSC Management is not held accountable for these two missing checklists.

LSC's Administrative Manual, Chapter 1, states that a Checklist must be used for all purchases and contracts, except purchases less than \$100. The LSC OIG Administrative Manual, Chapter 16, states that all credit card purchases are subject to the LSC Administrative Manual Chapter 1, Purchasing and Contracting Protocols. It further indicates that all purchases must be accompanied by an LSC OIG Checklist. There are separate LSC OIG Checklists for purchases under \$5,000, purchases between \$5,000 to \$25,000, and purchases above \$25,000.

According to the Payables Accountant, her understanding was that the Board of Directors' meeting expenses were to be treated as travel expenses, not subject to the Purchasing and Contracting Protocols nor the Checklist requirement. However, according to the Comptroller, the missing Checklists were due to an oversight. He indicated that the Checklists should have been completed.

We attempted multiple times to obtain the Checklists during fieldwork. After field work was complete, the Accounting Manager provided Checklists for six transactions totaling \$3,681 and stated that they could not locate the checklist for the transaction totaling \$249.

Lack of adequate training or understanding of internal policies and procedures may render the organization's internal control system vulnerable to errors or abuse.

Recommendation 1:

The Comptroller should provide clear guidance to staff and cardholders on what constitutes a purchase and travel expense, especially as it relates to Board of Directors' meeting expenses and should update the Administrative Manual to reflect the same.

Cardholders did not have required delegation to make purchases

Four cardholders made purchases totaling \$16,107, without the required written delegation, a completed LSC Purchasing and Contracting Delegation Form, or an LSC OIG Checklist, which, in the case of the OIG, authorizes the cardholders to make purchases.

Cardholder	Number of Purchases	Amount	Issue
Cardholder 1	2	\$7,816	A Purchasing and Contracting Delegation Form was not on file, but cardholder reported on Checklists as having one.
Cardholder 2	11	\$7,472	There was no Purchasing and Contracting Delegation Form on file.
Cardholder 3	2	\$669	The Purchasing and Contracting Delegation Form on file was limited to the purchase of periodicals. Purchases made were for library document cases.
Cardholder 4	1	\$150	There was no Checklist on file for this transaction made by an OIG cardholder.
TOTAL	16	\$16,107	

According to the LSC Administrative Manual, Purchasing and Contracting Protocols Authority:

- (1) only LSC board members (through the Corporate Secretary), officers, and office directors are authorized to make purchases or sign contracts on LSC's behalf;
- (2) where a demonstrated business need exists, authority may be delegated. Whether a "demonstrated business need" exists will depend on the circumstances, but may include, for example, employees who routinely make low-cost purchases of office supplies, software, or equipment; are deputy office directors; or are other staff members who have historically handled purchasing and contracting obligations for a particular office;
- (3) delegations must be in writing and approved by the President;

(4) office supplies - OFAS/Print Shop staff is best-positioned to assess the need for, and make purchases of, office supplies, equipment, and furniture. Therefore, these purchases MUST be made through the Comptroller or his delegate.

The OIG brought this to the attention of the Accounting Manager. The Accounting Manager stated that he consulted with the Office of Legal Affairs regarding the existence of the documents and subsequently provided updated and new forms for cardholders 1, 2 and 3. The OIG maintains its own Checklists for goods and service procured by that office. Therefore, LSC Management is not accountable for cardholder 4's missing Checklist.

Purchases made by cardholders without the appropriate delegation may result in unbudgeted outlays of funds or disadvantageous terms for acquisitions.

Recommendation 2:

To ensure the Purchase Card Program complies with organizational policies and procedures, the Accounting Manager should:

- a. Ensure that each cardholder necessitating a delegation form has a fully executed form on file;
- b. Train cardholders and staff requesting routine purchases from cardholders to comply with purchasing and contracting protocols that stipulate only authorized employees may make or request purchases; and
- c. Update and revise delegation forms so that purchasing authority is accurate and complete.

Inadequately supported transactions

Two transactions totaling \$7,816 were missing adequate supporting documentation:

- One transaction totaling \$5,798 for a conference table did not have an invoice or receipt. It was only accompanied by a proposal.
- One transaction totaling \$2,018 for an employee's desk did not have a vendor receipt. It only had an automated VISA transaction receipt.

According to the Government Charge Card Abuse Prevention Act of 2012, Management of Purchase Cards (a)(3)(A), a cardholder is responsible for reconciling the charges appearing on each statement of account for that purchase card with receipts and other supporting documentation.

LSC Administrative Manual states that "upon receipt of their monthly statements, cardholders are responsible for reviewing their statements for correctness, have their

Director approve it, and forward the statement to the Comptroller's Office along with the relevant supporting documents”.

Management acknowledged the failure at the card holder, supervisory and administrative levels to detect the missing receipts for the two charges.

Adequate supporting documentation, such as invoices or original receipts, are essential in the review process as they serve as confirmation of the transfer of ownership of a good or service purchased by the cardholder. In the absence of supporting documentation, it is difficult to verify the receipt of goods and services acquired with the charge card, thus weakening oversight in the review process.

Recommendation 3:

The Comptroller should ensure that cardholders are aware of the elements of adequate supporting documentation when preparing and submitting their expense reports in Concur so as to comply with the requirements of a complete expense report submission. For example:

- a. Charge card transactions should be accompanied by original receipts and invoices to support the purchases.
- b. In the case of lost original receipts, cardholders should prepare an affidavit explaining the occurrence including disclosing details of the transaction, such as the date, description of the purchase (including quantities), merchant, dollar amount, and signature as indication of certification of the statement.
- c. Approving Officials should review expense reports for the aforementioned documentation or reject the expense report submission.
- d. The Comptroller should oversee the revision of the language in the Administrative Manual (Chapter 2) regarding the constitution of "relevant supporting documents" to provide clear and specific guidance to cardholders on what is expected when referring to supporting documentation. The new policy should address nonconventional alternatives, such as Concur affidavits or electronic VISA transaction receipts.

Inadequate documentation and communication of policy for reconciliation of integrated card transactions

Integrated cardholders comingled purchase and travel expenses on the same expense report.

We found that integrated cardholders generally reconciled their purchase-related expenses separate from their individual travel expenses. However, two transactions totaling \$2,884 were not reconciled in the appropriate expense category in Concur. All the charges were reconciled in the cardholders' travel expense reports, but the expenses

were purchase-related, and should have been filed in the cardholders' purchase expense reports. The following examples were noted:

- One transaction totaling \$1,811 for a business meal during a Board of Directors' meeting was reconciled in the cardholder's travel expense report.
- One transaction totaling \$1,073 for a business meal for a Pro-Bono reception during a Board of Directors' meeting in New Mexico was reconciled in the cardholder's travel expense report.

According to the GSA SmartPay website, reconciliation procedures for the integrated account may differ. The website states that agencies may have specific policies related to integrated cards. LSC does not have written policies and procedures for the integrated card. The OIG also noted on the written policies that purchase and travel expenses are governed by different sets of rules, such as the definition of an allowable expense and the paper work required.

According to the Comptroller, OFAS' understanding of the process was that purchases incurred by integrated cardholders during business travel could be reconciled with the cardholder's individual travel expense report in Concur. However, he stated that going forward, OFAS will revise its policies to clarify how these expenses should be reconciled.

Lack of adequate documentation or understanding of internal policies and procedures may render the organization's internal control system vulnerable to errors or abuse.

Recommendation 4:

The Comptroller should address the dual functionality of integrated cards by implementing the following:

- a. provide clear instructions on the reporting requirements for purchase and travel expenses incurred with integrated cards and ensure cardholders appropriately file purchase and travel expenses in Concur;
- b. train Approving Officials to identify the reporting differences between a purchase and a travel expense to ensure that program policies are enforced during the review process; and
- c. document and incorporate these policies and procedures into the appropriate manuals.

Policies and Procedures

The OIG reviewed LSC's documented policies and procedures governing the use of the purchase cards: specifically, the Administrative Manual, Accounting Procedures Manual and eWeb. These documented policies are a good starting point for establishing oversight controls, but the manuals need to be updated to include current practices.

The following current practices are not included in any of the formal guidance mentioned above:

- a. the Concur system and the process of expense submission and credit card statement reconciliation;
- b. the alternative method of uploading expense report receipts in Concur via fax;
- c. the time-frames cardholders have to reconcile purchases and submit expense reports in Concur;
- d. the OFAS process of reconciling the expense report to the purchase card statement; and
- e. the OFAS process for receiving and processing Citibank payments and related accounting procedures.

According to LSC's Accounting Manager, the purchase card manual has not been updated in several years and needs to be revisited. He also stated that the missing policies brought to their attention will be included in the revised manual.

According to the OMB Circular A-123 Appendix B, each agency must develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this guidance. The plan should be updated annually, or more frequently, if necessary to remain current.

The circulation of non-current or incomplete charge card policies and procedures may cause user confusion and may increase the possibility of improper card usage or lapses in expense reporting.

Recommendation 5:

The Comptroller should ensure that the program and accounting manuals are enhanced to include detailed policies and procedures regarding the purchase card policies and processes performed by OFAS.

Objective 2: Are there adequate administration and oversight activities over the Purchase Card Program?

Generally, yes. The OIG found that LSC's oversight and administration over purchase cards was generally adequate. However, the following areas need improvements or enhancements.

Training

Based on interviews conducted with various cardholders and approving officials, there was no formal training program in place on card-usage and approving responsibilities before they began making purchases or assigning approvals on behalf of LSC. In addition, during OIG review of the cardholders' files, there was no evidence of training documentation.

According to OMB Circular A-123 Appendix B, Chapter 3, Section 3.3 and 3.4, all program participants, including cardholders and charge card managers must be trained in charge card management.

The relevant general training requirements for all charge card programs are:

- 1) All program participants must be trained prior to appointment;
- 2) All program participants must take refresher training, at a minimum, every 3 years; and
- 3) all program participants must certify they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions.

The Accounting Manager stated that no formal training program was in place because there generally had been no abuse of purchase card usage by employees. He added that general information on use of company credit cards was provided to all new employees during the onboarding orientation.

Without training, cardholders and approving officials may not have adequate knowledge to effectively execute card management responsibilities. The risk of erroneous or inappropriate purchases could increase and result in inefficiencies and a waste of scarce resources.

Recommendation 6:

The Comptroller should maintain a robust training program for all cardholders and approving officials by engaging in the following suggested practices:

- a. utilizing the resources provided by GSA to establish a mandatory training for all cardholders, approving officials, and any other accountable/billing officials who review charges made with purchase cards;
- b. ensuring all program participants certify that they have received the training, understand the regulations and procedures, and know the consequences of inappropriate actions;

- c. ensuring records of completed training should be kept on file for each cardholder; and
- d. providing refresher courses to cardholders.

Recommendation 7:

The Comptroller should update the program's written policies and procedures to include the training procedures and training requirements for cardholders and approving officials.

Authorization Forms

An LSC Credit Card Authorization Form is required to be completed for any new card issued and for any existing card changes. In addition, a Citibank Agreement Set-Up Form should also be completed for a change in card or new card classification. Our review noted that these requisite authorization forms were not consistently used.

Out of the fifteen cardholders reviewed, two cardholders' records were missing requisite authorization forms:

- One cardholder's card had been changed from a purchase card to an integrated card but there was no LSC Credit Card Authorization Form on file documenting the authorized change. For the same cardholder, a signed Citibank agreement set-up form for a change in card or new card classification was also missing.
- One cardholder's credit limit had been increased from \$6,000 to \$10,000; however, the LSC Credit Card Authorization Form that should have initiated the change was not on file.

According to the LSC Administrative Manual, Chapter 2, page 2-1, in order for an employee to receive a purchase card, the individual must have written approval from their Office Director. The approval must be forwarded to the Comptroller's Office for processing. The LSC credit card protocols also require the use of a Credit Card Authorization form to issue charge cards to designated employees, change a charge account classification and increase/decrease spending limits.

The Accounting Manager stated missing forms may have been an oversight by the previous Administrative Assistant.

Failure to follow program policies and documentation requirements may result in unauthorized modifications to charge card accounts that increase the risk of unallowable or unbudgeted purchases.

Recommendation 8:

The Comptroller should ensure that the Program Administrator has received and filed complete and appropriate documentation before requesting changes from Citibank to a cardholder's card type or spending limit.

Acknowledgement Agreements

There were no acknowledgement agreements, or any form of documentation maintained between LSC and the purchase cardholders outlining the responsibilities and consequences for non-compliance. User agreements were found to be established for travel cards and the travel component of integrated cards. However, there were no such agreements for purchase cards or for the purchase component of integrated cards.

Per OMB Circular A-123, Appendix B, Chapter 4, Section 4.3, charge card managers are responsible for implementing the appropriate controls for monitoring program effectiveness and communicating the agency's policy with respect to administrative and/or disciplinary actions to cardholders, and other program participants.

The Accounting Manager acknowledged that LSC does not maintain user acknowledgement forms for purchase cards. He added the Purchase Card Program employs transactional controls such as Merchant Category Codes (MCC) to discourage misuse of charge cards by cardholders.

Lack of user agreements for cardholders does not promote user awareness or acknowledgement of organizational policies resulting in poor accountability.

Recommendation 9:

The Comptroller should design and implement a written statement clearly stating the restrictions on the use of the purchase card, consequences if card usage by the cardholder does not adhere to prescribed policies and procedures, and any reporting deadline(s) the cardholder is required to abide by in regard to purchases made with the charge card. In addition, the statement should be signed and dated by the cardholder to demonstrate acknowledgement and agreement.

Policies and procedures

Policies and procedures related to oversight and administration need to be enhanced to include current practices. Documented offices and staff positions that are outdated need to be updated. The OIG noted the following.

- a. Periodic actions were taken by program administrators to monitor illegal or other undesirable activities.

- b. The LSC Administrative Manual refers to offices and positions no longer in existence, such as the Vice President for Programs and Compliance. There is no Programs and Compliance office, but rather the Office of Program Performance and Office of Compliance and Enforcement. The Vice President overseeing these offices is currently the Vice President for Grants Management.
- c. The Accounting Manual refers to a Staff Accountant position. According to interviews with OFAS staff, this position is currently the Accounts Payable position.

Recommendation 10:

The Comptroller should ensure that program and accounting manuals are updated to include current program names and position titles.

SUMMARY OF MANAGEMENT COMMENTS

Management agreed with all of the findings in the report and stated it will implement all ten of the recommendations. Management stated that it aimed to complete implementation before the Inspector General's submission of the next Semiannual Report to Congress.

OIG EVALUATION OF MANAGEMENT COMMENTS

The OIG considers LSC Management's comments responsive. However, all ten recommendations will remain open until LSC Management has provided the OIG with evidence of the actions taken to address each recommendation in the report.

APPENDIX I

SCOPE AND METHODOLOGY

To accomplish the audit objective, the OIG identified, reviewed, evaluated and tested internal controls related to the following areas of the Purchase Card Program:

- Administration and Oversight;
- Procurement;
- Disbursements; and
- Reconciliation and Accounting.

We assessed purchase cards and the purchase function associated with the integrated cards.

To obtain an understanding of internal controls, we reviewed, applicable laws and regulations, and LSC documented policies and procedures governing use of the purchase cards.

The OIG interviewed LSC staff to obtain an understanding of the internal control framework and evaluated the design and operating effectiveness of relevant purchase authorizations and payment controls.

We assessed the reliability and completeness of computer-generated data provided by reconciling the purchase cards disbursement data used in the OIG's analysis to the disbursement amount reported in organization account statements. To assess the reliability of the data, we reviewed available supporting documentation for the entries selected. We also conducted interviews to determine data consistency and reasonableness. We determined that data was sufficiently reliable for the purposes of this report.

To test for appropriateness of expenses and existence of adequate supporting documentation, transactions from a judgmentally selected sample of all the 15 cardholders were reviewed. For our test, the OIG judgmentally selected a total of 10 percent of each cardholder's transactions from the Transaction Register. The sample consisted of 176 transactions, totaling \$303,394. This sample included purchase and travel expenses. Since travel expenses were not within the scope of this audit, only transactions related to purchases were tested. There were 136 purchase transactions tested totaling \$299,777, representing approximately 36 percent of the \$840,757 disbursed.

To test for timeliness of payments, appropriate approval and accounting of the payments, the OIG judgmentally selected a sample of six master statements totaling 165,706. The

six master statements had a total of 37 individual charge account balances. All corresponding general journal entries prepared to reconcile the Citibank payments to the Concur expense reports were reviewed for accuracy and completeness.

To evaluate the adequacy of administration and oversight activities, the cardholders' files were reviewed for documentation of activation, deactivation, card-usage training certificates, and for documented reviews of monitoring activity by program administrators.

The audit fieldwork was conducted from June 5, 2017 through May 20, 2018. All work was conducted at LSC's headquarters in Washington, DC. Documents reviewed pertained to the period April 1, 2015 through March 31, 2017.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that audits are planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on OIG audit objectives. The OIG believes that evidence obtained provides a reasonable basis for findings and conclusions based on the audit objectives.

**MEMORANDUM**

TO: Roxanne Caruso, Assistant Inspector General for Audit

FROM: James J. Sandman, President 

DATE: September 10, 2018

SUBJECT: Draft Report -Audit of Legal Services Corporation Purchase Cards

Thank you for your memorandum of August 10 and the Office of Inspector General's draft report on the results of your audit of the Legal Services Corporation's purchase cards.

Management accepts and will implement all ten of the report's recommendations. We are aiming to complete implementation before the Inspector General's submission of his next Semi-Annual Report to Congress.

cc: Ronald S. Flagg
David Richardson
Jeffrey Schanz