Risk Assessment of NSF's Purchase Card Program for Fiscal Years 2022 and 2023

U.S. NATIONAL SCIENCE FOUNDATION
Office of Inspector General

MEMORANDUM

DATE: September 9, 2025

TO: Patrick Breen
Division Director
Division of Acquisition and Cooperative Support

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FROM: Theresa S. Hull
Assistant Inspector General
Office of Audits, Inspections, and Evaluations

SUBJECT: Final Report No. 25-06-001, *Risk Assessment of NSF's Purchase Card Program for Fiscal Years 2022 and 2023*

Attached is the final report on the subject assessment. We have included NSF's response to the draft report as an appendix. NSF concurred with all our recommendations. In accordance with Office of Management and Budget Circular A-50, please provide a written corrective action plan to address the report recommendations. The plan should detail specific actions and associated milestone dates. Please provide the plan within 60 calendar days.

We appreciate the courtesies and assistance NSF staff provided during the assessment. If you have any questions, please contact Jeremy Hall, Audit Manager, at 703-292-7100 or OIGPublicAffairs@nsf.gov.

CC: Christina Sarris, Micah Cheatham, Angel Williams, Aaron Dominguez, Victor McCrary, Wanda Ward, Scott Stanley, John Veysey, Ann Bushmiller, Shannon Hayes, Raymond McCollum

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Executive Summary

We conducted a risk assessment of NSF's purchase card program to determine whether an audit is necessary. The risk assessment results show that the risk of illegal, improper, or erroneous use in NSF's purchase card program is low.[1] Therefore, we did not expand our work to conduct an audit. However, we found that purchase cardholders and approving officials did not always follow NSF's guidance for split purchases and purchases made with donated funds. We made three recommendations to help prevent improper split purchases and ensure donated funds are used properly.

Background

The *Government Charge Card Abuse Prevention Act of 2012* (Public Law 112–194) implemented by Office of Management and Budget (OMB) Circular A-123, Appendix B, requires the Office of Inspector General (OIG) to conduct periodic risk assessments of agency purchase card programs. The assessments are conducted to identify and analyze the risk of illegal, improper, or erroneous purchases and payments and to determine the appropriate scope, frequency, and number of periodic audits of these programs. The Division of Acquisition and Cooperative Support within NSF's Office of Budget, Finance & Award Management is primarily responsible for administering the purchase card program. At NSF, the program participants include: (1) NSF's agency program coordinators (APC), who are responsible for the issuance of cards, serve as the liaison between cardholders and the issuing bank, and provide general oversight of the program; (2) approving officials (AO), who are responsible for ensuring that cardholders properly use purchase cards; and (3) purchase cardholders, who use purchase cards to buy supplies and services in support of official government business.

The objective of this risk assessment was to identify and analyze the risk of illegal, improper, or erroneous purchases and payments with NSF's purchase card program to determine an overall risk level for the program. The scope of our risk assessment covered October 1, 2021, to September 30, 2023, and included 10,743 transactions totaling $10.8 million. Please see Appendix A for a description of our methodology.

Results of Risk Assessment

Based on our analysis of NSF's internal controls, purchase card spending, and a sample of purchase card transactions, we determined that the overall risk of illegal, improper, or erroneous use in NSF's purchase card program is low.[2] Therefore, we did not expand our work

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[1] A risk level of low means that the impact will not significantly affect the organization's ability to achieve one or more of its objectives or performance goals.

[2] Although we determined the purchase card program's risk is low, the risk assessment should not be interpreted to mean that the program is free from illegal, improper, or erroneous purchases and payments or that the risk assessment will remain unchanged.

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to conduct an audit. Our determination of the overall risk score was based on strategic, operational, reporting, and compliance risk. The definitions of each risk category and scoring rationale are contained in Appendix B. NSF has developed and maintained adequate controls over the purchase card program, which help reduce the risk of illegal, improper, or erroneous payments.[3]

Results of Transaction Testing

To ensure that NSF's internal controls were properly designed to prevent illegal, improper, or erroneous purchases and payments, we judgmentally selected a sample of 50 high-risk transactions in various risk categories for review. Because we targeted riskier transactions, our judgmental sample had a higher probability of identifying improper, illegal, or erroneous payments than a random sample. See Figure 1 for details on dollar amount and transaction selection count by category.

Figure 1. Transaction Selection Summary
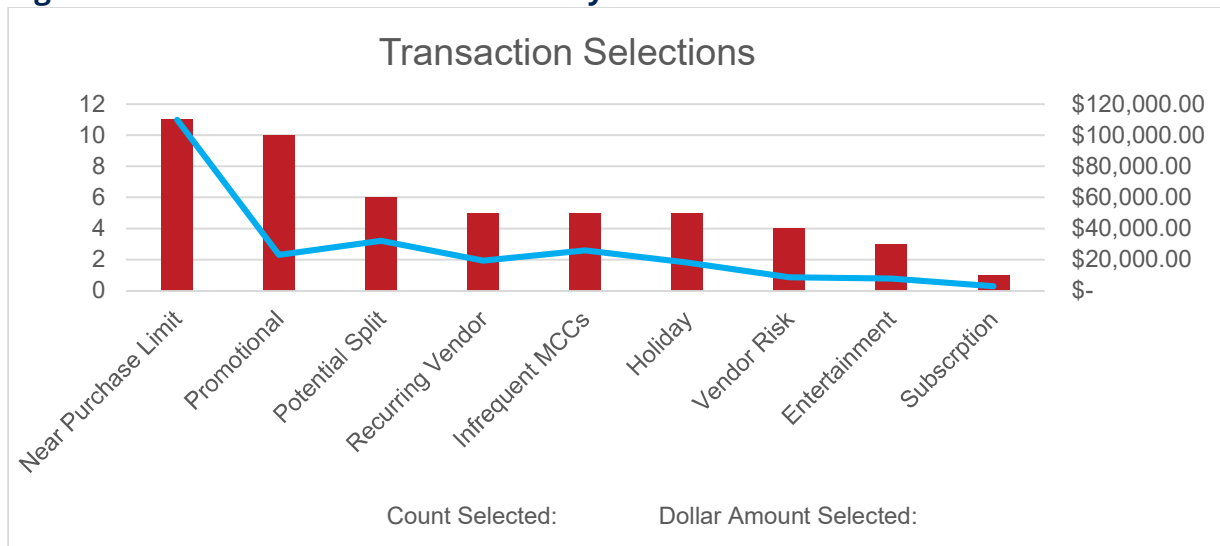
Source: OIG analysis of transaction selection from the Purchase Card General Ledger.

We reviewed supporting documentation to assess internal controls, compliance with federal regulations, and applicable NSF policies and procedures. Our testing showed that most of the purchases were legal and followed the proper approval process.

However, NSF management did not always enforce its policies and procedures to ensure purchases complied with purchase card requirements. We found five exceptions related to split transactions and improper purchases made with donated funds. Specifically, 3 out of the 50 high-risk transactions we tested were improper split purchases totaling $30,000. A split purchase is the intentional division of a purchase to stay within a cardholder's single purchase

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[3] Internal controls cannot provide absolute assurance that purchase card transactions are proper and legal due to human error and other limitations.

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limit or the maximum purchase threshold to avoid other procurement methods or competition requirements.

In addition, 2 transactions out of the 50 high-risk transactions we tested were improper gift cards for staff that were purchased with donated funds totaling $1,850. According to *42 U.S.C. § 1870*, NSF has authority to receive and use funds donated by others if the funds are used in the furtherance of one or more of the general purposes of the Foundation. NSF's APC agreed the gift card purchases were improper because NSF Purchase Card Policy Manual states appropriated funds may not be used for the purchase of personal gifts unless there is specific statutory authority.

We found purchase cardholders and AOs did not follow NSF guidance when making and approving these transactions. For example, in one case involving a split purchase, the purchase card holder did not obtain their AO's approval as required before completing the purchase. In the case of the gift cards, the purchase card holder did not obtain the NSF Director's (or his designee's) certification that using donated funds to purchase gift cards would be in furtherance of NSF's mission.

The overall risk score remains low because both the impact and likelihood of these improper transactions is low. Additionally, the total dollar amount of the five transactions in question was low and did not change the overall impact on the risk categories.

Recommendations

We recommend that the Director of NSF's Division of Acquisitions and Cooperative Support:

1. Strengthen oversight to prevent and identify split purchases.

2. Develop stronger purchase card controls over donated funds to prevent improper purchases.

3. NSF review the details of the split purchases to determine whether the violations were a result of a lack of knowledge/misunderstanding or intentional misconduct; and that NSF address the root cause appropriately.

OIG Evaluation of Agency Response

NSF agreed with the recommendations associated with the findings. The NSF response is attached to the report as Appendix C.

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Appendix A: Objective, Scope, and Methodology

The objective of this risk assessment was to identify and analyze the risk of illegal, improper, or erroneous purchases and payments with NSF's purchase card program to determine an overall risk level for the program. The scope of our risk assessment covered October 1, 2021, to September 30, 2023, which included 10,743 transactions totaling $10.8 million.

To answer the objectives, we reviewed the following:
- Appendix B to Office of Management and Budget Circular No. A-123, *A Risk Management Framework for Government Charge Card Program*;
- *Government Charge Card Abuse Prevention Act of 2012*;
- NSF's policies, directives, and procedures;
- Data files related to the number of cardholders, limits, amounts, and number of transactions;
- Prior OIG audits and recommendations; and
- NSF's response to Federal Managers' Financial Integrity Act Requirements.

For our risk assessment, we considered NSF's internal controls, analyzed NSF's purchase card spending, and performed sample testing on 50 transactions totaling $249,476 to determine the level of risk. We judgmentally selected the 50 transactions from the purchase card issuer's data file from October 1, 2021, through September 30, 2023. Our selection criteria included risk factors such as:
- Transactions near the $10,000 purchase card limit;
- Potential split transactions;
- Restricted and infrequent merchant category codes;
- Transactions that potentially violate appropriations law, such as entertainment expenses and personal expenses;
- Purchases that could require a contract based on Federal Acquisition Regulations; and
- Holiday transactions.

Table 1 describes the controls we tested and provides examples of NSF's efforts related to each control.

Table 1. OIG Summary of NSF's Purchase Card Controls

Control	Examples
Communicated roles and responsibilities and developed policies	NSF's *Purchase Card Handbook and Policy Manual* provides NSF program participants with a reference guide that outlines NSF policies and procedures, roles and responsibilities, and tips for using the government purchase card.
	NSF holds initial and biennial refresher training for its APCs, AOs, and purchase cardholders.
Developed authorization controls	NSF's policy requires AOs to approve purchases before the cardholder makes a purchase.

	NSF summarized its overall risk assessment results in its annual Purchase Card Management Plan.
Assessed risks to the purchase card program	NSF appropriately submitted its 2022 and 2023 *Federal Managers Financial Integrity Act Statement of Assurance*, which establishes internal accounting and administrative controls and did not identify any risks with the purchase card program.
Implemented oversight procedures	NSF conducts transaction reviews to ensure APCs, AOs, and purchase cardholders reconcile and approve iTRAK transactions within 30 days of the monthly bank statement.
	APCs conduct process reviews of each purchase cardholder's iTRAK files at least once every 3 years to ensure the cardholder is following NSF's policies and procedures.
Addressed past OIG findings	NSF addressed previous audit recommendations related to the purchase card program, including updating its annual training.

Source: OIG Analysis

We conducted this risk assessment between August 2024 and February 2025 with integrity, objectivity, and independence, as required by the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Federal Offices of Inspector General.[4] Those standards set forth the overall quality framework for managing, operating, and conducting the work of Offices of Inspector General. The review adhered to applicable professional standards and was conducted with objectivity, independence, due professional care, quality assurance and followed procedures to ensure accuracy of the information presented.

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[4] Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Federal Offices of Inspector General*, August 2012

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Appendix B: Risk Assessment and Scoring

We used four risk categories to perform our risk assessment as defined in the *Enterprise Risk Management (ERM) for the U.S. Federal Government* (Playbook). The Playbook created by the Committee of Sponsoring Organizations of the Treadway Commission is a result of an interagency effort to gather, define, and illustrate practices in applying ERM in the federal context.

The Playbook defines impact, likelihood, and risk likelihood. *Likelihood* is the level of possibility that a risk will occur, and *Impact* is the magnitude of deficiency that could result from the risk. We assigned a level of risk using the criteria in Table 2 and the risk impact using the criteria in Table 3 below.

Table 2. Risk Likelihood Rating Scale

Rating	Definition
High	The risk is very likely or reasonably expected to occur
Medium	The risk is more likely to occur than unlikely
Low	The risk is unlikely to occur

Source: Enterprise Risk Management Playbook (Fall 2022 Update)

Table 3. Risk Impact Rating Scale

Rating	Definition
High	The impact could preclude or highly impair the organization's ability to achieve one or more of its objectives or performance goals.
Medium	The impact could significantly affect the organization's ability to achieve one or more of its objectives or performance goals.
Low	The impact will not significantly affect the organization's ability to achieve one or more of its objectives or performance goals.

Source: *Enterprise Risk Management Playbook* (Fall 2022 Update)

We assessed the impact and likelihood of risk category, considering the effect of internal controls and other relevant documentation. We then combined the impact and likelihood of individual risk category levels to arrive at an average overall risk level which is documented in Table 4.

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Table 4. OIG Analysis of Impact, Likelihood, and Overall Risk Level, by Risk Category

Risk Category	Likelihood	Impact	Overall
Strategic Risk: The risk of failing to achieve strategic or tactical objectives because the strategic and tactical planning process, leadership, or implementation of the strategic plan is not fully effective.	Low: NSF has clearly defined the use and purpose of the program in its Purchase Card Program Handbook and has provided training to purchase card users.	Low: The overall size of the purchase card program was less than one-tenth of a percent of NSF's total budget.[5]	Low
Operational Risk*:* The risk of direct or indirect loss or other negative effects on an agency due to inadequate or failed internal processes, or from external events that impair internal processes, people, or systems.	Low: Due to NSF's pre-approval, reconciliation, and process reviews.	Low: The overall size of the purchase card program was less than one-tenth of a percent of NSF's total budget.	Low
Reporting Risk: The risk associated with the accuracy and timeliness of information needed within the organization to support decision making and performance evaluation, as well as outside the organization to meet standards, regulations, and stakeholder expectations.	Low: NSF has met standards and requirements related to reporting.	Low: NSF completed reporting and planning documentation as required. For example, NSF properly maintained a Purchase Card Management Plan for risk assessments.	Low
Compliance risk: Failure to comply with applicable laws and regulations and failure to detect and report activities that are not compliant with statutory, regulatory, or organizational requirements.	Low: NSF has adequate internal controls related to compliance training, handbooks, reviews of each cardholder every 3 years, and reviews of delinquent purchase card accounts.	Low: NSF has adequate internal controls related to compliance training, handbooks, reviews of each cardholder every 3 years, and reviews of delinquent purchase card accounts.	Low

Source: Enterprise Risk Management Playbook (Fall 2022 Update) and auditor analysis

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[5] In FY 2022, the purchase card program was $4.67 million, and NSF's total budget was $8.8 billion. In FY 2023, the purchase card program was $6.16 million, and NSF's total budget was $9.9 billion.

Appendix C: Agency Response

U.S. National Science Foundation
Office of Budget, Finance and
Award Management

MEMORANDUM

DATE: August 19, 2025

TO: Theresa S. Hull, Assistant Inspector General, Office of Audits, Inspections and
            Evaluations

FROM: Patrick K. Breen, Chief Acquisition Officer/Senior Procurement Executive and
            Division Director, Division of Acquisition and Cooperative Agreement
            Support, Office of Budget, Finance and Award Management

Digitally signed by
PATRICK K BREEN
Date: 2025.08.19 14:10:17
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SUBJECT: NSF's Response to the OIG's Official Draft Report, *"Risk Assessment of NSF's
            Purchase Card Program for Fiscal Years 2022 and 2023"*

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NSF appreciates the opportunity to respond to the OIG's Risk Assessment of NSF's
Purchase Card Program for Fiscal Years 2022 and 2023. We are pleased that the risk
assessment results show that the risk of illegal, improper, or erroneous use in NSF's
purchase card program is low.

We also value the OIG's findings regarding the subset of sampled transactions, related to
split purchases and donated funds, for which the total amount was low. While the OIG
determined that the findings did not result in a change to the overall risk assessment, we
recognize that addressing the OIG's findings will help improve controls and minimize risks
to the purchase card program.

Accordingly, we agree with the recommendations associated with the findings. We look
forward to timely preparing and implementing the Corrective Action Plan.

National Defense Authorization Act
General Notification

Pursuant to Pub. L. No. 117-263 § 5274, business entities and non-governmental organizations specifically identified in this report have 30 days from the date of report publication to review this report and submit a written response to NSF OIG that clarifies or provides additional context for each instance within the report in which the business entity or non-governmental organizations is specifically identified. Responses that conform to the requirements set forth in the statute will be attached to the final, published report.

If you find your business entity or non-governmental organization was specifically identified in this report and wish to submit comments under the above-referenced statute, please send your response within 30 days of the publication date of this report to OIGPL117-263@nsf.gov, no later than October 12, 2025. We request that comments be in .pdf format, be free from any proprietary or otherwise sensitive information, and not exceed two pages. Please note, a response that does not satisfy the purpose set forth by the statute will not be attached to the final report.

About Us

NSF OIG was established in 1989, in compliance with the *Inspector General Act of 1978* (5 USC 401-24). Our mission is to provide independent oversight of NSF to improve the effectiveness, efficiency, and economy of its programs and operations and to prevent and detect fraud, waste, and abuse.

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