



March 31, 2017

MEMORANDUM FOR: EDWARD HUGLER
Deputy Assistant Secretary for Operations
for Administration and Management

GEOFFREY KENYON
Principal Deputy Chief Financial Officer

Elliot P. Lewis

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Risk Assessment of DOL's Purchase
and Travel Card Programs
Report No. 17-17-001-50-598

We have completed our required risk assessment of the Department of Labor's (DOL) purchase and travel card programs as of September 30, 2016. Based on our results, we determined the risk of illegal, improper, or erroneous use of DOL's purchase and travel cards is low. However, this determination does not mean the DOL purchase and travel card programs are free of illegal, improper, or erroneous use, or free of internal control deficiencies. As such, an audit of the programs may identify issues not previously noted in the risk assessment. Because of inherent limitations, internal controls may not prevent, or detect and correct, misstatements and projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, enacted on October 5, 2012, was designed to prevent recurring waste, fraud, and abuse of government-wide charge cards. The law requires agencies to implement safeguards and internal controls to prevent and detect improper use of government purchase cards, convenience checks, and travel cards. Under the Charge Card Act, Inspectors General are required to conduct periodic risk assessments of agency purchase cards, combined

integrated card programs,¹ and travel card programs to analyze the risks of illegal, improper, or erroneous purchases.

DOL obtains purchase, travel, and fleet cards through the U.S. General Services Administration SmartPay2[®] program, which provides charge cards to U.S. government agencies through master contracts with three major banks. One of these banks, Citibank, has been DOL's credit card service provider since 2008. In fiscal year 2016, DOL had 933 purchase cardholders who incurred 55,636 transactions, totaling approximately \$19.5 million, while it had 12,147 travel cardholders who incurred 357,114 transactions, totaling approximately \$49.1 million. DOL utilizes centrally-billed purchase card and convenience check accounts, as well as individual and centrally-billed accounts for travel. DOL's Office of Administration and Management manages the government purchase card program, and the Office of the Chief Financial Officer (OCFO) manages the travel card program.

Methodology

To perform our risk assessment, we identified key program objectives for the purchase and travel card programs, identified risks associated with those objectives, reviewed the purchase and travel card policies and procedures, reviewed the results of prior OIG audits, and conducted analytical tests. In addition, we shared our results with the responsible agency program coordinators to obtain concurrence and solicit any other information relevant to our risk assessment.

We assessed the residual risks² as of September 30, 2016, associated with each key program objective and then assigned a risk impact and risk likelihood level. Risk impact is the likely magnitude that the risks would have on the key objective. Risk likelihood is the level of possibility that a risk will occur that effects the key objective. We then assigned a risk level of low, moderate, or high (see Attachment 1 – Definition of Risk Impact and Likelihood).

Results

We determined the risk of illegal, improper, or erroneous use in DOL's purchase and travel card programs is low. We assessed seven key program objectives for the purchase card program and determined the overall risk of each key program objective not being accomplished was low (see Attachment 2 – Risk Levels by Risk Objective for the Purchase Card Program).

¹ The integrated card is a combination of two or more business lines on a single card. (e.g. purchase and travel) DOL does not use an integrated card.

² Residual risk is the risk that remains after controls and any other known information are taken into account.

Likewise, we assessed seven key program objectives of the travel card program and determined the overall risk of each objective not being accomplished was low (see Attachment 3 – Risk Levels by Risk Objective for the Travel Card program). Our detailed assessments of DOL's purchase and travel card programs were provided to DOL officials under separate cover.

We appreciate the cooperation and courtesies DOL agency officials extended to the Office of Inspector General during this risk assessment.

cc: Karen Tekleberhan, Deputy Chief Financial Officer

Al Stewart, Director, Business Operations Center

Carl Campbell, Director, Office of Acquisition Management Services

Definition of Risk Impact and Likelihood		
Risk Level	Risk Impact Definition	Risk Likelihood Definition
Very High	Degradation of activity is severe and affects the ability to meet key program objective requiring immediate escalation or management intervention to reach required levels of performance of key program objective.	Risk event is almost certain to occur (Likelihood of Occurrence is 90-100%)
High	Degradation of activity is major requiring immediate escalation or management intervention to reach required levels of performance of key program objective.	Risk event highly likely to occur (Likelihood of Occurrence is 50-90%)
Moderate	Degradation of activity is moderate with material impact on performance of key program objective.	Risk event possible to occur (Likelihood of Occurrence is 25-50%)
Low	Degradation of activity is minor. It is noticeable and may affect performance of key program objective.	Risk event is unlikely to occur (Likelihood of Occurrence is 10-25%)
Very Low	Degradation of activity is negligible and is not expected to significantly affect performance of key program objective.	Risk event occurrence is remote (Likelihood of Occurrence is 0-10%)

Risk Levels by Risk Objective for the Purchase Charge Card Program				
Number	Key Program Objective	Risk Impact	Risk Likelihood	Overall Risk
1	The purchase card is only used for purchases that are necessary, authorized, and supported in which funds are available	Moderate	Low	Low
2	Purchase card transactions are made at a reasonable and/or fair price	Moderate	Low	Low
3	Purchase card accounts are properly established and maintained	Moderate	Low	Low
4	Purchase card transactions are properly accounted for in the financial system	Moderate	Low	Low
5	Purchase card account balances are paid on time	Moderate	Low	Low
6	The purchase card program obtains the maximum rebates available	Moderate	Low	Low
7	Annual purchase card program results are reported to Office of Management and Budget (OMB)	Low	Low	Low

Risk Levels by Risk Objective for the Travel Charge Card Program				
Number	Key Program Objective	Risk Impact	Risk Likelihood	Overall Risk
1	The travel card is only used while on official Government travel for transactions that are properly authorized and supported.	Moderate	Low	Low
2	Travel card accounts are properly established and maintained.	Moderate	Low	Low
3	Travel card transactions are properly accounted for in the financial system.	Moderate	Low	Low
4	The travel card program obtains the maximum rebates available.	Moderate	Low	Low
5	Centrally billed travel charge card balances are paid on time.	Moderate	Low	Low
6	Individually billed travel charge card balances are paid on time.	Moderate	Low	Low
7	Annual travel card program results are reported to OMB.	Low	Low	Low