U.S. Department of Labor

Office of Inspector General
Washington, DC 20210

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MEMORANDUM FOR: Rachana Desai Martin
Assistant Secretary
for Administration and Management

Kevin Brown
Deputy Chief Financial Officer

Carolyn R. Hantz

FROM: Carolyn Hantz
Assistant Inspector General
for Audit

SUBJECT: Risk Assessment of DOL's Purchase and Travel Card Programs, Report No. 22-22-008-50-598

The Office of Inspector General (OIG) contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to assist with the risk assessment of the Department of Labor's (DOL) purchase and travel card programs for the period July 1, 2020 through September 30, 2021, pursuant to the Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194 (Charge Card Act). The OIG monitored KPMG's work to ensure it met professional standards and contractual requirements.

Based on the results of the assessment, KPMG found the risk of illegal, improper, or erroneous use of DOL's purchase and travel cards is very low to moderate.

However, the results of the risk assessment do not mean the DOL purchase and travel card programs are free of illegal, improper, or erroneous use or internal control deficiencies. As such, an audit of the programs may identify issues not noted in the risk assessment. Because of inherent limitations, internal controls may not prevent, detect, or correct misstatements. 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 Charge Card Act 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 and travel cards through the U.S. General Services Administration's SmartPay3® 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. For the period reviewed, DOL had 1,261 purchase cardholders who incurred 39,064 transactions, totaling approximately $22.9 million, and 11,866 travel cardholders who incurred 59,712 transactions, totaling approximately $9.2 million.[2]

DOL utilizes centrally-billed purchase card accounts and convenience checks for purchases, and individual and centrally-billed accounts for travel. DOL's Office of Administration and Management manages the purchase card program, and the Office of the Chief Financial Officer manages the travel card program.

Methodology

To perform the risk assessment, KPMG utilized various methods of review and analytical testing. KPMG:

- identified key program objectives for the purchase and travel card programs,
- identified risks associated with the objectives of those two programs,
- reviewed the purchase and travel card policies and procedures,
- reviewed the results of prior OIG audits,
- conducted analytical tests, and
- shared results with the responsible program coordinators.

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

[2] GSA SmartPay, Sales, Transactions and Account Holder Data (2009 – 2022) – Bank Data by Year: https://smartpay.gsa.gov/content/sales-transactions-account-holder-data

KPMG assessed the residual risks[3] as of September 30, 2021, 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. A risk level was then assigned ranging from very low to very high (see Figure 1).

Figure 1: Definitions of Risk Impacts and Likelihoods

Risk Level	Risk Impact Definition	Risk Likelihood Definition
Very High	The degradation of an activity or role is **severe,** impacting the ability to meet one or more strategic goal or objective, produce key deliverables, or reach required levels of performance to meet the mission.	Risk event is almost certain to occur. Likelihood of occurrence is 90-100 percent.
High	The degradation of an activity or role is **major,** requiring immediate escalation or management intervention to reach required levels of performance of key functions.	Risk event is highly likely to occur. Likelihood of occurrence is 50-90 percent.
Moderate	The degradation of an activity or role is **moderate** with material impact on performance of key functions.	Risk event is possible to occur. Likelihood of occurrence is 25-50 percent.
Low	The degradation of an activity or role is **minor**. It is noticeable and may affect performance of key functions.	Risk event is unlikely to occur. Likelihood of occurrence is 10-25 percent.
Very Low	The degradation in activity or role is **negligible** and is not expected to significantly affect performance of key functions.	Risk event occurrence is remote. Likelihood of occurrence is 0-10 percent.

Source: DOL OIG Framework for Enterprise Risk Management, Version 3.0, May 31, 2022

[3] Residual risk is the exposure remaining from an inherent risk after action has been taken to manage it, using the same assessment standards as the inherent assessment.

Results

KPMG found the overall risk of illegal, improper, or erroneous use in DOL's purchase and travel cards is very low to moderate.

KPMG assessed six key program objectives for the purchase card program and determined the overall risk of each key program objective not being accomplished was very low to moderate (see Figure 2).

Figure 2: Risk of Six Key Program Objectives Not Being Accomplished, DOL Purchase Card Program

Moderate	Cards are used for purchases that are unnecessary, unauthorized, and not supported in which funds are not available.
Low	Transactions are not made at a reasonable and/or fair price.
Moderate	Accounts are not properly established and maintained.
Very Low	Transactions are not properly accounted for in the financial system.
Very Low	Account balances are not paid on time.
Very Low	Program results are not accurately and timely reported to the Office of Management and Budget.

Source: Results of the risk assessment for six key program objectives for the purchase card program

Likewise, KPMG assessed six key program objectives for the travel card program and determined the overall risk of each key program objective not being accomplished was very low to moderate (see Figure 3).

Figure 3: Risk of Six Key Program Objectives Not Being Accomplished, DOL Travel Card Program

Moderate	Cards are only used while on official Government travel for transactions that are properly authorized and supported.
Moderate	Accounts are not properly established and maintained.
Moderate	Transactions are not properly accounted for in the financial system.
Low	Centrally billed travel charge card balances are not paid on time.
Low	Individually billed travel charge card balances are not paid on time.
Very Low	Program results are not accurately and timely reported to the Office of Management and Budget.

Source: Results of the risk assessment for six key program objectives for the travel purchase card program

The detailed assessments of DOL's purchase and travel card programs were provided to DOL officials under separate cover. We appreciate the cooperation and courtesies that DOL officials extended to KPMG and the OIG during this risk assessment.