



August 30, 2023

MEMORANDUM FOR: CAROLYN ANGUS-HORNBUCKLE
Acting Assistant Secretary
for Administration and Management

KEVIN BROWN
Deputy Chief Financial Officer

A handwritten signature in cursive script that reads "Carolyn R. Hantz".

FROM: CAROLYN R. HANTZ
Assistant Inspector General
for Audit

SUBJECT: U.S. Department of Labor's Purchase and Travel
Card Risks Assessed as Low and Moderate
Report Number: 22-23-007-50-598

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 U.S. Department of Labor's (DOL) purchase and travel card programs for the period October 1, 2021, through September 30, 2022, 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 procedures performed by KPMG, it was determined the overall risk of illegal, improper, or erroneous use of DOL's purchase and travel cards was low, and moderate, respectively.

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, or detect and 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.

Background

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.

For the period reviewed, DOL had 1,433 purchase cardholders who incurred 28,592 transactions, totaling approximately \$18.0 million; and 13,671 travel cardholders who incurred 123,007 transactions, totaling approximately \$18.7 million.²

DOL obtains purchase, travel, and fleet 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.

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, we:

- 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.

We assessed the residual risks³ as of September 30, 2022, associated with each key program objective based on the results of the procedures performed. We then assigned a risk impact and risk likelihood level based on the DOL OIG

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 (FY 2009 – April 2023) – Bank Data by Year: <https://smartpay.gsa.gov/content/sales-transactions-account-holder-data>

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.

framework listed in Figure 1. 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 affects the key objective. A risk level was then assigned ranging from very low to very high. An overall risk assessment for the purchase and travel card programs was made based on the aggregation of their respective individual key objective risks.

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

Results

The results of the procedures performed indicate the overall risk of illegal, improper, or erroneous use in DOL’s purchase and travel cards is low and moderate, respectively.

The results of the procedures performed over six key program objectives for the purchase card program indicated a risk of the objective not being accomplished as very low to low (see Figure 2).

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

Individual Control Objectives	Objective Risk Level
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.	Low
Accounts are not properly established and maintained.	Low
Transactions are not properly accounted for in the financial system.	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.	Very Low
Overall Purchase Card Risk Rating: Low	

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

Likewise, the procedures performed over the six key program objectives for the travel card program indicated a risk of each key program objective not being accomplished as very low to moderate (see Figure 3).

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

Individual Control Objectives	Objective Risk Level
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.	Very 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.	Very Low
Overall Travel Card Risk Rating: Moderate	

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. We appreciate the cooperation and courtesies that DOL officials extended to KPMG and the OIG during this risk assessment.