

Federal Housing Finance Agency
Office of Inspector General



**Risk Assessment of FHFA's
Government Purchase Card and
Travel Card Programs
July 1, 2019 – March 31, 2020**



OIG-RA-2020-
001

July 14, 2020

Executive Summary

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), as implemented by the Office of Management and Budget (OMB) Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012* (OMB M-13-21), requires, among other things, that the Inspector General of each executive agency conduct periodic risk assessments of agency purchase card (including convenience checks) and travel card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments to guide analyses or audits of these programs as necessary. Where annual travel card spending for an agency exceeds \$10 million, the Charge Card Act and OMB M-13-21 require periodic audits or reviews of the agency's travel card program.

For fiscal year 2019, the Federal Housing Finance Agency (FHFA or Agency) reported to OMB that its purchase card expenditures were \$831,351 and travel card expenditures were \$2,067,893. Because travel card expenditures for the fiscal year were significantly less than \$10 million, no periodic audit or review of FHFA's travel card program is required.

Pursuant to the Charge Card Act, we conducted a risk assessment of FHFA's purchase card and travel card programs for the period July 1, 2019, to March 31, 2020 (assessment period). Based on our risk assessment, we concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA's purchase card and travel card programs during the assessment period was low. Accordingly, we determined that an audit of the programs is not warranted for the period July 1, 2019, to March 31, 2020.

While our risk assessment for FHFA's purchase card and travel card programs determined that the risk of illegal, improper, or erroneous activity in the programs was low, we caution that our risk assessment should not be interpreted to mean that the risk level will remain low indefinitely because the possibility remains that existing internal controls could become inadequate due to a change in conditions and/or degree of compliance with policies or procedures.

This report was prepared by Heath Wolfe, Director of Audit Operations, with assistance from Abdil Salah, Assistant Inspector General for Audits, and Bob Taylor, Senior Advisor. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report.



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This report has been distributed to FHFA, Congress, OMB, Government Accountability Office (GAO), and others and will be posted on our website, www.fhfaoig.gov and Oversight.gov.

Marla A. Freedman, Senior Audit Executive /s/

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ABBREVIATIONS

ARC	Department of the Treasury, Bureau of the Fiscal Service’s Administrative Resource Center
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
FHFA or Agency	Federal Housing Finance Agency
GAO	Government Accountability Office
OIG	Federal Housing Finance Agency Office of Inspector General
OMB	Office of Management and Budget
OMB M-13-21	Office of Management and Budget Memorandum M-13-21, <i>Implementation of the Government Charge Card Abuse Prevention Act of 2012</i>

BACKGROUND.....

Within FHFA, the Office of Budget and Financial Management manages the Agency's government purchase card and travel card programs. This office is also responsible for ensuring that FHFA's purchase card and travel card programs comply with the Charge Card Act¹ and OMB requirements.²

In July 2009, FHFA entered into an interagency agreement with the Department of the Treasury, Bureau of the Fiscal Service's Administrative Resource Center (ARC) for services related to the Agency's government purchase card and travel card programs. ARC uses the CitiDirect[®] Card Management System to manage FHFA's purchase card program. ARC also uses this system to manage FHFA's travel card program.

FHFA, as required by OMB,³ has developed and maintained a Charge Card Management Plan that includes the following elements:

- Identification of key management officials and their responsibilities for each card program;
- A process for written appointment of purchase and integrated (purchase business line) cardholders;
- A process to ensure the credit worthiness of new charge card applicants;
- Description of agency training requirements;
- Management controls, policies, and practices for ensuring appropriate charge card use and oversight of fraud, misuse, or abuse;
- Authorization controls;
- Acknowledgment of agency policies and practices developed to ensure appropriate consideration by cardholders;

¹ Public Law No. 112-194.

² OMB Circular No. A-123, Appendix B (Revised Aug. 27, 2019), *A Risk Management Framework for Government Charge Card Programs*, and OMB M-13-21.

³ OMB Circular No. A-123, Appendix B. As a change in this revision, OMB no longer requires agencies to submit their Charge Card Management Plan annually although OMB reserved the right to request plans. Notwithstanding this change and although not requested, FHFA did submit its 2020 Plan to OMB on February 3, 2020.

- Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues;
- Documentation and record retention requirements consistent with the National Archives and Records Administration and Agency specific policies; and
- Policies for the closure or transfer of charge cards and maintenance of other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization.

Prior Audits and Risk Assessment

In 2019, we performed an audit of FHFA’s purchase card program. In that audit,⁴ we reported that FHFA’s controls over the purchase card program were generally followed. However, our tests did identify some exceptions to FHFA’s requirements – failures to document the receipt of goods and services, obtain prior written approval by approving officials, and timely postings of transactions to purchase card logs. While those exceptions were similar to those found by a previous audit of the program in 2018,⁵ given the dollar amount and nature of those exceptions, we made no recommendations in the 2019 report.

Our last audit of FHFA’s travel card program was performed in 2018. In that audit,⁶ we reported that FHFA had adequate written policies and procedures for its travel card program but those policies and procedures were not always followed. We made one recommendation, with which FHFA agreed, and we subsequently confirmed in our 2019 risk assessment of the program that the Agency’s actions to address the deficiencies were completed.⁷

⁴ See *OIG, Audit of FHFA’s Government Purchase Card Program October 1, 2018 – March 31, 2019* (Aug. 28, 2019) ([AUD-2019-010](#)).

⁵ See *OIG, Audit of FHFA’s Fiscal Year 2017 Government Purchase Card Program Found Several Deficiencies with Leased Holiday Decorations, and the Need for Greater Attention by Cardholders and Approving Officials to Program Requirements* (Sept. 6, 2018) ([AUD-2018-011](#)).

⁶ See *OIG, Audit of FHFA’s Fiscal Year 2017 Government Travel Card Program: FHFA Needs to Emphasize Certain Program Requirements to Travelers and Approving Officials* (Sept. 25, 2018) ([AUD-2018-014](#)).

⁷ See *OIG, Risk Assessment of FHFA’s Government Travel Card Program July 1, 2018 – June 30, 2019* (Sept. 10, 2019) ([OIG-RA-2019-001](#)).

FACTS AND ANALYSIS

FHFA's Fiscal Year 2019 Purchase Card and Travel Card Program Expenditures, and Number of Cardholders

FHFA reported to OMB that its fiscal year 2019 purchase card and travel card expenditures were \$831,351 and \$2,067,893, respectively.⁸ Additionally, the number of active purchase cards reported by FHFA to OMB ranged from 21 to 24, approximately 4% of its employees. During the same period, FHFA reported to OMB that the number of active travel cards ranged from 151 to 155, held by approximately 25% of its employees.

Efficacy of Existing FHFA Internal Controls for Purchase Card and Travel Card Programs

For our assessment period, we found that no complaints of alleged fraud or misuse of purchase cards and/or travel cards were made to OIG, and that FHFA referred no matters involving potential misuse of purchase cards and/or travel cards to OIG. We also learned that FHFA reported that it took no administrative or disciplinary actions against its employees for card misuse to OMB during fiscal year 2019.

One of FHFA's internal controls over its purchase card and travel card programs is the receipt of regular reports from its service provider, ARC, relating to ARC's ongoing monitoring of the use of those cards. For example, FHFA receives a monthly delinquency report from ARC that identifies delinquent travel card accounts—accounts 30 days or more past due. From the monthly delinquency reports received for the assessment period, we reviewed 4 of the 5 cardholders that were reported as 60 days or more delinquent in at least one monthly report to determine what action, if any, FHFA took in response.⁹ We found that FHFA notified all four cardholders in writing about the past due amounts instructing them to remit payment in full as soon as possible; all four cardholders resolved their reported delinquencies. As of March 31, 2020, there were eight travel card accounts that were reported as being between 30 and 59 days past due and no travel card accounts were reported as 60 days or more past due.

Further, ARC conducts annual compliance reviews of FHFA's purchase card holders and the related transactions using a statistical sampling plan with a 90% confidence level and a precision error rate of 15 to 25%. As of June 18, 2020, FHFA had not received ARC's testing

⁸ Historically, FHFA's annual travel card transactions have been well below the \$10 million threshold requiring periodic audits of the program, which continued during fiscal year 2019.

⁹ During the assessment period, one of these cardholders was reported as delinquent twice, another cardholder was reported as delinquent three times, and the remaining three cardholders were reported as delinquent once.

results of purchase card transactions made by FHFA cardholders between April 1, 2019, and March 31, 2020.¹⁰

Results of the Most Recent Audit of FHFA’s Financial Statements by GAO

In its audit report on FHFA’s fiscal years 2019 and 2018 financial statements,¹¹ GAO identified deficiencies in FHFA’s internal control over financial reporting that it did not consider to be material weaknesses or significant deficiencies.¹² Furthermore, GAO reported to us that these deficiencies were not related to FHFA’s purchase card and/or travel card programs. GAO also confirmed that its audit work included testing of the adequacy of FHFA’s internal controls over its purchase card and travel card programs. For its fiscal year 2019 audit, GAO’s testing did not identify any issues related to FHFA’s purchase card and/or travel card programs.

CONCLUSION.....

Based on our risk assessment, we concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA’s purchase card and travel card programs from July 1, 2019, through March 31, 2020, was low. Accordingly, we determined that an audit of the programs is not warranted for the assessment period. Pursuant to the Charge Card Act, we intend to regularly conduct risk assessments of FHFA’s purchase card and travel card programs to determine whether future audits are necessary.

¹⁰ In our 2019 audit of FHFA’s purchase card program, we reported that ARC reviewed 141 purchase card transactions made by FHFA cardholders between April 1, 2018, and March 31, 2019, and noted no issues of noncompliance.

¹¹ GAO, *Financial Audit: Federal Housing Finance Agency’s FY 2019 and FY 2018 Financial Statements* (Nov. 19, 2019) (GAO-20-198R) (online at <https://www.gao.gov/products/GAO-20-198R>). In that report, GAO rendered an unmodified opinion on FHFA’s financial statements and internal control over financial reporting for the period audited and stated that they found no reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

¹² A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

FHFA COMMENTS.....

We provided FHFA an opportunity to respond to a draft of this report. In its management response, which is included as an appendix to this report, FHFA acknowledged our conclusion that the risk of illegal, improper, or erroneous purchases and payments was low, and an audit of the purchase card and travel card programs would not be warranted for the period July 1, 2019, to March 31, 2020.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this risk assessment was to use the assessment for planning future audits of FHFA’s purchase card and/or travel card programs, as appropriate. The scope of the risk assessment focused on FHFA’s policies and procedures over its purchase card and travel card programs for the period July 1, 2019, to March 31, 2020.

We conducted this risk assessment from March 2020 to July 2020.

To address our risk assessment objective, we:

- Reviewed the Charge Card Act and related OMB requirements that apply to FHFA;
- Reviewed the FHFA Director’s Federal Managers’ Financial Integrity Act of 1982 Statement of Assurance for fiscal year 2019 for any mention of internal control matters related to FHFA’s purchase card and travel card programs;
- Determined whether FHFA developed, issued, and maintained its Charge Card Management Plan for the assessment period. We also obtained and reviewed the Plan for conformance with applicable requirements;
- Determined the dollar amounts and other relevant statistical information for FHFA’s purchase card and travel card programs for fiscal year 2019;
- Interviewed FHFA’s Deputy Chief Financial Officer and other officials responsible for FHFA’s purchase card and travel card programs about (a) whether they had knowledge of any fraud or suspected fraud affecting the programs, (b) whether they were aware of any allegations of fraud or suspected fraud affecting the programs, (c) the nature and extent of monitoring they performed over the programs, and (d) whether and how management communicated to cardholders and approving officials its views on the proper use of purchase cards and travel cards;

- Determined whether FHFA and/or ARC conducted compliance testing of FHFA's purchase card and travel card programs. This included obtaining an understanding of the compliance testing programs in place during the assessment period;
- Reviewed the monthly reports regarding delinquent travel card accounts for the assessment period plus FHFA's follow-up actions for 4 of the 5 sampled cardholders that were reported as 60 days or more delinquent;
- Reviewed the Agency's fiscal year 2019 risk profile for managing its government purchase card and travel card programs;
- Determined whether FHFA reported its government purchase card transaction information to the General Services Administration's Center for Charge Card Management;
- Reviewed the training materials FHFA provided to its staff for its government purchase card and travel card programs;
- Determined whether the Agency maintained narrative reporting for its own use and management of its government purchase card and travel card programs;
- Reviewed FHFA's annual performance metrics report for purchase cards and travel cards for fiscal year 2019; and
- Reviewed GAO's report on its audit of FHFA's financial statements for fiscal year 2019 to determine whether any deficiencies were reported related to FHFA's purchase card and travel card programs. We also inquired of GAO's staff about the scope and results of any testing of the programs performed for the review period of FHFA's financial statements.

APPENDIX: FHFA MANAGEMENT RESPONSE.....



Federal Housing Finance Agency

MEMORANDUM

TO: Abdil Salah, Assistant Inspector General for Audits

FROM: Mark Kinsey, Chief Financial Officer **MARK KINSEY** Digitally signed by MARK KINSEY
Date: 2020.07.01
13:41:22 -04'00'

SUBJECT: Draft Risk Assessment: *Risk Assessment of FHFA's Government Purchase Card and Travel Card Programs July 1, 2019 – March 31, 2020*

DATE: July 1, 2020

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft risk assessment titled, *Risk Assessment of FHFA's Government Purchase Card and Travel Card Programs July 1, 2019 – March 31, 2020*. The risk assessment focused on the Agency's policies and procedures over its purchase card and travel card programs for the period July 1, 2019 to March 31, 2020.

I am pleased that the risk assessment concluded that the risk of illegal, improper, or erroneous purchases and payments through the purchase card and travel card programs from July 1, 2019 through March 31, 2020, was low and determined that an audit of the programs is not warranted.

I would like to acknowledge the dedicated OIG staff that worked with the Agency during this risk assessment.

If you have any questions related to our response, please do not hesitate to contact me.

cc: Chris Bosland
Kate Fulton
John Major

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