

Federal Housing Finance Agency  
Office of Inspector General



**Risk Assessment of FHFA's  
Government Purchase Card and  
Travel Card Programs  
April 1, 2021 – March 31, 2022**



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September 19,  
2022

## Executive Summary

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), as implemented by the Office of Management and Budget (OMB) Circular No. A-123, Appendix B (Revised August 27, 2019), *A Risk Management Framework for Government Charge Card Programs*, requires, among other things, that the Inspector General of each executive agency conduct periodic risk assessments of agency purchase card (including convenience checks) programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments, and to perform analyses or audits of these programs as necessary. Where annual travel card spending for an agency exceeds \$10 million, the Charge Card Act and the OMB Circular require periodic audits or reviews of the agency's travel card program.

For fiscal year 2021, the Federal Housing Finance Agency's (FHFA or Agency) purchase card expenditures were \$883,436 and travel card expenditures were \$2,456. Because travel card expenditures for the period 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 April 1, 2021, to March 31, 2022 (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 (see Appendix). Accordingly, we determined that an audit of the programs is not warranted for the assessment period.

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 (see Appendix), we caution that our risk assessment should not be interpreted to mean that the risk level will remain low indefinitely. The possibility remains that existing internal controls could become inadequate due to a change in conditions or a degree of compliance with the policies or procedures, or both.

This report was prepared by Heath Wolfe, Director of Audit Operations, with assistance from Abdil Salah, Assistant Inspector General for Audits. 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.fhfaog.gov](http://www.fhfaog.gov), and [www.oversight.gov](http://www.oversight.gov).

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**TABLE OF CONTENTS .....**

EXECUTIVE SUMMARY .....2

ABBREVIATIONS .....5

BACKGROUND .....6

    Prior Audits and Risk Assessment.....7

FACTS AND ANALYSIS.....7

    FHFA’s Fiscal Year 2021 Purchase Card and Travel Card Program Expenditures.....7

    Efficacy of Existing FHFA Internal Controls for Purchase Card and Travel Card  
    Programs .....8

    Results of the Most Recent Audit of FHFA’s Financial Statements by GAO .....9

CONCLUSION.....9

FHFA COMMENTS.....10

OBJECTIVE, SCOPE, AND METHODOLOGY .....10

APPENDIX: ASSESSMENT OF PROGRAMS’ RISK .....12

    Risk Assessment Approach .....12

ADDITIONAL INFORMATION AND COPIES .....16

## 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                                       |
| COSO            | Committee of Sponsoring Organizations of the Treadway Commission                          |
| 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   |

## 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 Act<sup>1</sup> and OMB requirements.<sup>2</sup>

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, 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;
- 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;

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<sup>1</sup> Public Law No. 112-194.

<sup>2</sup> OMB Circular No. A-123, Appendix B (Revised Aug. 27, 2019), *A Risk Management Framework for Government Charge Card Programs*.

- 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,<sup>3</sup> 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,<sup>4</sup> given the dollar amount and nature of the 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,<sup>5</sup> 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.<sup>6</sup>

## FACTS AND ANALYSIS .....

### FHFA’s Fiscal Year 2021 Purchase Card and Travel Card Program Expenditures

FHFA’s purchase card and travel card expenditures during fiscal year 2021 were \$883,436 and \$2,456, respectively. During the assessment period, FHFA’s purchase card and travel

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<sup>3</sup> See *OIG, Audit of FHFA’s Government Purchase Card Program October 1, 2018 – March 31, 2019* (Aug. 28, 2019).

<sup>4</sup> 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).

<sup>5</sup> 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).

<sup>6</sup> See *OIG, Risk Assessment of FHFA’s Government Travel Card Program July 1, 2018 – June 30, 2019* (Sept. 10, 2019).

card expenditures were \$905,913 and \$29,108, respectively.<sup>7</sup> FHFA’s travel card expenditures were significantly reduced from prior periods due to the Agency’s suspension of business travel in response to COVID-19.

### 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 or travel cards were made to OIG, and that FHFA referred no matters involving potential misuse of purchase cards or travel cards to OIG. FHFA also reported to us that it took no administrative or disciplinary actions against its employees for card misuse during the assessment period.

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 all cardholders’ accounts (four) that were reported as more than 30 days delinquent in at least one monthly report to determine what action, if any, FHFA took in response. We found that FHFA notified three of the four cardholders in writing about the past due amounts and instructed them to remit payment in full as soon as possible. The (one) remaining cardholder paid his travel card account in full prior to FHFA’s planned follow-up to past due travel cardholders. The four cardholders resolved their reported delinquencies.<sup>8</sup> As of March 31, 2022, there were no travel card accounts that were reported as being past due.

Further, ARC conducts annual compliance reviews of FHFA’s purchase cardholders and the related transactions using a statistical sampling plan with a 90% confidence level and a precision error rate of 15% to 25%. We obtained ARC’s compliance review for the period April 1, 2021, to March 31, 2022, which is the most current available. That review covered 164 purchase card transactions made by Agency cardholders during the period and reported 10 exceptions that there was no proof of compliance with the National Defense Authorization

<sup>7</sup> Historically, FHFA’s annual travel card transactions have been well below the \$10 million threshold requiring periodic audits of the program, which continued during the assessment period.

<sup>8</sup> See the table below for ARC’s delinquency reporting on FHFA accounts.

| ARC Report Date | No. of Accounts | Days Past Due     | Total Past Due | When Paid in Full |
|-----------------|-----------------|-------------------|----------------|-------------------|
| Oct. 2021       | 1               | More than 30 days | \$18           | Nov. 2021         |
| Dec. 2021       | 1               | More than 30 days | \$148          | Jan. 2022         |
| Jan. 2021       | 2               | More than 30 days | \$272          | Feb. 2022         |



Act Section 889.<sup>9</sup> Based on the results of ARC’s review, FHFA’s purchase card administrator informed us that she plans to emphasize the need to comply with Section 889 of the National Defense Authorization Act at its next annual purchase card training for purchase cardholders.

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

In its audit report on FHFA’s fiscal years 2021 and 2020 financial statements,<sup>10</sup> GAO identified deficiencies in FHFA’s internal control over financial reporting that it did not consider to be material weaknesses or significant deficiencies.<sup>11</sup> Furthermore, GAO reported to us that these deficiencies were not related to FHFA’s purchase card 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 2021 audit, GAO’s testing did not identify any deficiencies related to FHFA’s purchase card 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 April 1, 2021, through March 31, 2022, was low (see Appendix). 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.

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<sup>9</sup> FHFA is required to comply with Section 889 of the John S. McCain Nation Defense Authorization Act for Fiscal Year 2019 (Public Law No. 115-232). Among other things, this Section requires FHFA’s cardholders to ensure that all purchases are made only through vendors who have certified not to sell or use covered telecommunications equipment.

<sup>10</sup> GAO, *Financial Audit: Federal Housing Finance Agency’s Fiscal Years 2021 and 2020 Financial Statements* (Nov. 15, 2021) (GAO-22-105109). 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 2021 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

<sup>11</sup> 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 management an opportunity to review and comment on a draft of this report. While management did not provide an official written response to the draft of this report, we did incorporate management’s technical comments that were provided to us. The Agency 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 April 1, 2021, to March 31, 2022.

## OBJECTIVE, SCOPE, AND METHODOLOGY .....

The objective of this risk assessment was to use the assessment for planning future audits of FHFA’s purchase card 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 April 1, 2021, to March 31, 2022.

We conducted this risk assessment in March 2022 through September 2022.

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 2021 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 2021 and the assessment period;
- Interviewed FHFA’s Office of Budget and Financial Management 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 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 as well as FHFA’s follow-up actions for all cardholders (four) that were reported as more than 30 days delinquent;
- Reviewed the Agency’s fiscal year 2021 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 GAO’s report on its audit of FHFA’s financial statements for fiscal year 2021 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; and
- Assessed the key control objectives for the Agency’s purchase card and travel card programs using a methodology based on the internal control assessment framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to identify potential risk events but not for the purpose of concluding on the design and effectiveness of controls as this was not an audit. As such, audit procedures such as requesting and analyzing documentation to support purchase card and travel transactions and other testing procedures were not performed.

# APPENDIX: ASSESSMENT OF PROGRAMS' RISK .....

## Risk Assessment Approach

To conduct our risk assessment, we developed a methodology based on the internal control assessment framework issued by COSO.<sup>12</sup> We identified key purchase card and travel card control objectives using the criteria identified in the Charge Card Act,<sup>13</sup> OMB Circular No. A-123, Appendix B,<sup>14</sup> and the Federal Travel Regulation.<sup>15</sup> Additional criteria were identified in FHFA’s Charge Card Management Plan, Micro-Purchase Procedures and Supplemental Purchase Cardholder Guidance, Purchase Charge Card Procedures, and Travel Policy for control objectives specific to the purchase card and travel card programs.

We assigned a risk rating to each control objective based on (1) the impact that a risk event may pose to the control objectives of the purchase card and travel card programs and (2) the likelihood that the risk event may occur. The combined risks of impact and likelihood determines the overall risk to the purchase card and travel card programs. **Table 1** provides a heat map of impact and likelihood levels.

**TABLE 1. HEAT MAP OF IMPACT AND LIKELIHOOD RISK LEVELS**

|            |                                | IMPACT     |          |          |           |           |
|------------|--------------------------------|------------|----------|----------|-----------|-----------|
|            |                                | Incidental | Minor    | Moderate | Major     | Extreme   |
| LIKELIHOOD | Almost Certain<br>(90 to 100%) | Moderate   | High     | High     | Very High | Very High |
|            | Likely<br>(65 to 90%)          | Low        | Moderate | High     | High      | Very High |
|            | Possible<br>(35 to 65%)        | Low        | Moderate | Moderate | High      | High      |
|            | Unlikely<br>(10 to 35%)        | Low        | Low      | Moderate | Moderate  | High      |
|            | Rare<br>(0 to 10%)             | Very Low   | Low      | Low      | Low       | Moderate  |

<sup>12</sup> To develop the risk assessment methodology, we followed an industry standard presented in a research paper, which was commissioned by COSO, “[Risk Assessment in Practice](#),” by Deloitte & Touche, LLP (October 2012).

<sup>13</sup> Public Law No. 112-194.

<sup>14</sup> OMB Circular No. A-123, Appendix B (Revised Aug. 27, 2019), *A Risk Management Framework for Government Charge Card Programs*.

<sup>15</sup> [Federal Travel Regulation](#) (41 CFR Chapters 300-304).

**Table 2** provides the definitions of risk impact and risk likelihood for the respective ratings.

**TABLE 2. DEFINITION OF RISK IMPACT AND RISK LIKELIHOOD**

| Impact Level | Risk Impact   | Likelihood Level | Risk Likelihood  |
|--------------|---|------------------|--|
| Extreme      | Impact of risk event to key control objective is severe as to require immediate management intervention.                    | Almost Certain   | Risk event is almost certain to occur; likelihood of occurrence is 90% up to 100%.       |
| Major        | Impact of risk event to key control objective is major as to require immediate escalation to or intervention by management. | Likely           | Risk event is likely to occur; likelihood of occurrence is 65% up to 90%.                |
| Moderate     | Impact of risk event to key control objective is moderate, but material.  | Possible         | Risk event is possible to occur; likelihood of occurrence is 35% up to 65%.              |
| Minor        | Impact of risk event to key control objective is minor.   | Unlikely         | Risk event is unlikely to occur; likelihood of occurrence is 10% up to 35%.              |
| Incidental   | Impact of risk event to key control objective is negligible.  | Rare             | Risk event is highly unlikely to occur; likelihood of occurrence is 0% to less than 10%. |

Source: OIG prepared definitions based on COSO, “Risk Assessment in Practice,” Deloitte & Touche, LLP (October 2012).

To assess the overall risk to the Agency’s purchase card program, we grouped and prioritized key control objectives by assigning greater weight to those objectives where a risk event could result in potential disruption of the purchase card program management or improper payment being made if the control objective is not achieved. FHFA’s overall risk rating for each control objective is based on the aggregate of the risk impact and risk likelihood.

Purchase cards are the preferred procurement method for acquiring goods and services. Each Agency purchase card has a single transaction limit and an account credit limit that varies. FHFA’s purchase cards are centrally billed. We determined the overall risk of illegal, improper, or erroneous purchase and payments for the Agency’s purchase card program was low. **Table 3** presents the overall risk levels of key control objectives for FHFA’s purchase card program.

**TABLE 3. RISK LEVELS FOR PURCHASE CARD PROGRAM**

| Key Control Objectives  | Risk Weight | Risk Impact | Risk Likelihood | Risk Level |
|---|-------------|-------------|-----------------|------------|
| Policies and procedures for purchase cards exist                                      | 50%         | Incidental  | Rare            | Very Low   |
| Card transactions were assessed regularly   |             | Minor       | Unlikely        | Low        |
| Suspicious card transactions (i.e., improper purchases) did not exist                 |             | Moderate    | Possible        | Low        |
| Number of card transactions were not excessive  |             | Moderate    | Possible        | Low        |
| Inactive card accounts were not excessive   |             | Minor       | Unlikely        | Low        |
| Cardholders who were not FHFA employees did not exist                                 |             | Minor       | Unlikely        | Very Low   |
| Ratio of cardholders to approving officials was low                                   |             | Minor       | Unlikely        | Low        |
| Reportable card misuse requiring administrative or disciplinary actions did not exist |             | Moderate    | Possible        | Low        |
| Corrective actions from reviews were implemented                                      | 30%         | Minor       | Unlikely        | Low        |
| Previous audit recommendations were addressed   |             | Minor       | Unlikely        | Low        |
| Cardholder training policies existed  | 20%         | Incidental  | Rare            | Very Low   |
| Cardholders and approving officials received mandatory training                       |             | Major       | Unlikely        | Low        |

Source: OIG assessment of risks to purchase card control objectives.

FHFA provides travel cards to some employees who expect to incur official travel expenses such as transportation and lodging. All travel cards are individually billed accounts and must be paid by the cardholder. All travel costs must be estimated, authorized, and obligated before an employee begins official travel. Employees then submit a voucher detailing the actual costs for reimbursement either directly to the travel card or to the traveler if charges were paid by the traveler. We determined that overall risk of illegal, improper, or erroneous purchases and payments for the Agency’s travel card program was low. **Table 4** presents the overall risk levels of key control objectives for FHFA’s travel card program.

**TABLE 4. RISK LEVELS FOR TRAVEL CARD PROGRAM**

| <b>Key Control Objectives</b>  | <b>Risk Weight</b> | <b>Risk Impact</b> | <b>Risk Likelihood</b> | <b>Risk Level</b> |
|--|--------------------|--------------------|------------------------|-------------------|
| Policies and procedures for travel cards existed   | 50%                | Incidental         | Rare                   | Very Low          |
| Policy for employee separation and required travel card return existed                                     |                    | Incidental         | Rare                   | Low               |
| Policies for travel authorization and approval existed   |                    | Incidental         | Rare                   | Low               |
| Suspicious card transactions (i.e., improper purchases) did not exist                                      |                    | Minor              | Rare                   | Low               |
| Number of individual billed account cardholders was not excessive  |                    | Minor              | Unlikely               | Low               |
| Reportable card misuse requiring administrative or disciplinary actions did not exist                      |                    | Minor              | Unlikely               | Low               |
| Previous audit recommendations were addressed  | 30%                | Minor              | Unlikely               | Low               |
| Cardholder training policies existed   | 20%                | Incidental         | Rare                   | Very Low          |
| Cardholders, approving officials, and agency/organization program coordinators received mandatory training |                    | Incidental         | Unlikely               | Low               |

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