

Federal Housing Finance Agency
Office of Inspector General



**Risk Assessment of FHFA's Charge
Card Programs
April 1, 2022 – March 31, 2023**



OIG-RA-2023-
001

September 28,
2023

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* (OMB A-123), requires, among other things, that executive agencies establish and maintain safeguards and internal control over charge cards and convenience checks, if any. The Charge Card Act and OMB A-123 also require the Inspector General of each executive agency to conduct periodic risk assessments of agency charge card programs (collectively purchase cards, travel cards, and convenience checks) to identify and analyze the risks of illegal, improper, or erroneous purchases and payments, as necessary.

Pursuant to the Charge Card Act, we conducted a risk assessment of the Federal Housing Finance Agency's (FHFA or Agency) charge card programs, covering both purchase cards and travel cards for the period from April 1, 2022, through March 31, 2023 (assessment period). Spending on those cards during the assessment period totaled \$1,258,825 and \$800,232, respectively. The objective of our risk assessment was to determine the scope, frequency, and number of periodic audits to perform.

Overall, the risk of illegal, improper, or erroneous purchases and payments in FHFA's purchase card program was low, and we determined that an audit of FHFA's purchase card program is not warranted. However, the overall risk in FHFA's travel card program was moderate. We identified risk within the travel card program for some control objectives that ranged between moderate and high that require FHFA's immediate attention, and issued a management advisory to FHFA in connection with those risks. While FHFA did not provide a formal written response to this risk assessment, we considered management's technical comments to a draft version in finalizing this report.

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.

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 www.oversight.gov. We also issued a Management Advisory to FHFA (see OIG-2023-001, dated September 28, 2023), outlining the deficiencies in the travel card usage and made a recommendation to the Agency.

James Hodge, Deputy Inspector General for Audits /s/

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ABBREVIATIONS

ARC	Treasury’s 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
OMB A-123	OMB Circular No. A-123, Appendix B (Revised August 27, 2019), <i>A Risk Management Framework for Government Charge Card Programs</i>
Treasury	Department of the Treasury

BACKGROUND.....

The Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal control over charge cards and convenience checks, if any. The Charge Card Act also requires Inspectors General to conduct periodic risk assessments of agency charge card or convenience check programs, or both, to identify and analyze the risks of illegal, improper, or erroneous purchases and payments to determine the scope, frequency, and number of periodic audits of the programs.

OMB A-123 implements requirements of the Charge Card Act and consolidates government-wide charge card program management requirements and guidance issued by OMB, GAO, the U.S. General Services Administration, the Department of the Treasury (Treasury), and other federal agencies. This guidance establishes standard minimum requirements and best practices for government charge card programs that may be supplemented by individual agency policies and procedures.

FHFA Office Responsible for Managing Charge Card Programs

Within FHFA, the Office of the Chief Operating Officer's Office of Budget and Financial Management manages the Agency's charge card programs. This office ensures that FHFA's purchase cards and travel cards comply with the Charge Card Act¹ and OMB A-123 requirements.²

In July 2009, FHFA entered into an interagency agreement with Treasury's Bureau of the Fiscal Service's Administrative Resource Center (ARC) for services related to the Agency's charge card programs. ARC assists FHFA in managing its purchase cards and travel cards.

FHFA had 24 purchase cards and between 147 and 158 travel cards that were active during fiscal year 2022. The Agency does not use convenience checks. Because ARC's review of FHFA's purchase card program covers the period April through March of each year, we used this as our risk assessment period. Purchase card and travel card expenditures were \$1,258,825 and \$800,232, respectively.³

¹ Public Law No. 112-194.

² OMB A-123, Appendix B (Revised Aug. 27, 2019), [A Risk Management Framework for Government Charge Card Programs](#).

³ Historically, FHFA's annual travel card transactions have remained well below the \$10 million threshold that requires periodic audits, and this trend continued during the assessment period.

FHFA's Charge Card Management Plan

FHFA, as required by OMB A-123, developed and maintained a Charge Card Management Plan that includes the following elements:

- Identification of key management officials and their responsibilities for the charge card programs;
- A process for written appointment of purchase and integrated (purchase-business-line) cardholders;
- A process to ensure the creditworthiness 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;
- 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 Risk Assessment of FHFA's Charge Card Programs

We conducted our last risk assessment of FHFA's charge card programs in fiscal year 2022. In that assessment,⁴ we reported that the risk of illegal, improper, or erroneous purchases and payments through FHFA's purchase cards and travel cards during April 1, 2021, to March 31, 2022, was low. Accordingly, we determined that an audit of the programs was not warranted.

⁴ See OIG, [Risk Assessment of FHFA's Government Purchase Card and Travel Card Programs April 1, 2021 – March 31, 2022](#) (Sept. 19, 2022).

FACTS AND ANALYSIS

Risk Assessment Approach

To conduct our risk assessment, we developed a methodology based on the internal control assessment framework issued by Committee of Sponsoring Organizations of the Treadway Commission (COSO).⁵ We identified key purchase card and travel card control objectives using the criteria identified in the Charge Card Act,⁶ OMB A-123, Appendix B,⁷ and the *Federal Travel Regulation*.⁸ FHFA’s Charge Card Management Plan, Micro-Purchase Procedures and Supplemental Purchase Cardholder Guidance, Purchase Charge Card Procedures, and Travel Policy contain additional criteria for control objectives specific to the charge 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 cards and travel cards, and (2) the likelihood that the risk event may occur. The combined risks of impact and likelihood determine the overall risk to the purchase card and travel card programs. **Table 1** provides a heat map of impact and likelihood risk levels, and **Table 2** provides the definitions of risk impact and risk likelihood for the respective ratings.

⁵ 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).

⁶ Public Law No. 112-194.

⁷ OMB A-123, Appendix B (Revised Aug. 27, 2019), [A Risk Management Framework for Government Charge Card Programs](#).

⁸ [Federal Travel Regulation](#) (41 C.F.R. Chapters 300-304).

TABLE 1. HEAT MAP OF IMPACT AND LIKELIHOOD RISK LEVELS

		IMPACT				
		Incidental	Minor	Moderate	Major	Extreme
LIKELIHOOD	Almost Certain (90 to 100 percent)	Moderate	High	High	Very High	Very High
	Likely (65 to 90 percent)	Low	Moderate	High	High	Very High
	Possible (35 to 65 percent)	Low	Moderate	Moderate	High	High
	Unlikely (10 to 35 percent)	Low	Low	Moderate	Moderate	High
	Rare (0 to 10 percent)	Very Low	Low	Low	Low	Moderate

TABLE 2. DEFINITIONS 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 percent up to 100 percent.
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 percent up to 90 percent.
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 percent up to 65 percent.
Minor	Impact of risk event to key control objective is minor.	Unlikely	Risk event is unlikely to occur; likelihood of occurrence is 10 percent up to 35 percent.
Incidental	Impact of risk event to key control objective is negligible.	Rare	Risk event is highly unlikely to occur; likelihood of occurrence is zero to less than 10 percent.

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 cards and travel cards, we grouped and prioritized key control objectives by assigning greater weight to those objectives where a risk event could result in potential disruption of charge card 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 Card Program Results

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. Each purchase cardholder has an approving official who is responsible for approving payments. Additionally, FHFA’s Senior Purchase Card Program Specialist conducts monthly reviews of purchase card payments. We determined the overall risk of illegal, improper, or erroneous purchase and payments for the Agency’s purchase cards was low. **Table 3** presents the overall risk levels of key control objectives for FHFA’s purchase cards.

TABLE 3. RISK LEVELS FOR PURCHASE CARDS

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

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

Travel Card Program Results

FHFA provides travel cards to some employees (frequent travelers) 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. Subsequently, employees submit a voucher detailing the actual costs for reimbursement to request payment, 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 moderate. **Table 4** presents the overall risk levels of key control objectives for FHFA’s travel cards.

TABLE 4. RISK LEVELS FOR TRAVEL CARDS

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

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

Concurrent with this risk assessment, we issued a management advisory⁹ concerning control objectives with moderate and high levels of risk that require immediate attention of FHFA management.

CONCLUSION.....

We concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA’s purchase card and travel card programs during the period from April 1, 2022, through March 31, 2023, was low and moderate, respectively. Based on the low level of risk within the purchase card program, we determined that an audit is not warranted. Because risk for some control objectives ranged between moderate and high within the travel card program, we issued a management advisory (in lieu of an audit) for FHFA’s immediate attention.

While our risk assessment for FHFA’s charge card programs concluded that the risk of illegal, improper, or erroneous activity in the purchase cards was low and the risk for travel cards was moderate, it is important to note that our risk assessment does not imply that these risk levels will remain constant indefinitely. Existing internal controls could become inadequate due to changing conditions or a variation in compliance with applicable policies or procedures, or both. Conversely, FHFA could strengthen its internal controls in a way that reduces the overall risk.

FHFA COMMENTS.....

We provided FHFA management an opportunity to review and comment on a draft of this report. While management did not provide a formal written response, FHFA provided technical comments, which we considered in finalizing the report. The Agency agreed with our conclusion that the risk of illegal, improper, or erroneous purchases and payments through FHFA’s purchase card and travel card programs during the period from April 1, 2022, through March 31, 2023, was low and moderate, respectively.

⁹ See *OIG, Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023* (OIG-2023-001, Sept. 28, 2023).

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this risk assessment was to determine scope, frequency, and number of audits of FHFA's charge card programs, as appropriate. The scope of the risk assessment focused on FHFA's policies and procedures over its purchase cards and travel cards for the period from April 1, 2022, through March 31, 2023. This comprised \$1,258,825 in purchase card spending and \$800,232 in travel card spending.

To address our risk assessment objective, we:

- Reviewed the Charge Card Act and related OMB A-123 requirements applicable to FHFA's charge card programs;
- Reviewed FHFA's Micro-Purchase Procedures and Supplemental Purchase Cardholder Guidance, Purchase Charge Card Procedures, and Travel Policy requirements applicable to FHFA's charge card programs;
- Reviewed the FHFA Director's Federal Managers' Financial Integrity Act of 1982 Statement of Assurance for fiscal year 2022 for any internal control matters related to FHFA's purchase cards and travel cards;
- 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;
- Obtained the dollar amounts and other relevant statistical information for FHFA's purchase cards and travel cards for fiscal year 2022 and calculated the payments made during the assessment period;
- Interviewed FHFA's Office of Budget and Financial Management officials responsible for FHFA's purchase cards and travel cards about (a) whether they had knowledge of any fraud or suspected fraud affecting the charge card 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 ARC conducted compliance testing of FHFA's charge 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 the 37 cardholder accounts that were reported as more than 30 days delinquent;
- Reviewed the Agency’s fiscal year 2022 risk profile for managing its purchase cards and travel cards;
- Determined whether FHFA reported its 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 charge card programs;
- Determined whether the Agency maintained OMB A-123 required narrative reporting of performance metric data for its own use and management of its charge card programs;
- Reviewed GAO’s report on its audit of FHFA’s financial statements for fiscal year 2022 to determine whether any deficiencies were reported related to FHFA’s charge 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;
- Assessed the key control objectives for the Agency’s charge card programs using a methodology based on the internal control assessment framework issued by 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; and
- We conducted this risk assessment from March 2023 through September 2023.

ADDITIONAL INFORMATION AND COPIES.....

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