



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

December 17, 2015

MEMORANDUM

TO: Richard Cordray
Director
Consumer Financial Protection Bureau

FROM: Mark Bialek 
Inspector General

SUBJECT: *Fiscal Year 2015 Risk Assessment of the CFPB's Purchase Card Program*

Executive Summary

The Office of Inspector General (OIG) has conducted a risk assessment of the Consumer Financial Protection Bureau's (CFPB) purchase card program to determine the frequency and scope of future audits. The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the CFPB's purchase card program is *low*. As a result, we will not include an audit of the CFPB's purchase card program in the OIG's 2016 annual audit plan.

The results of the risk assessment should not be interpreted to mean that a lower-risk program is free of illegal, improper, or erroneous use or internal control deficiencies or that a high-risk program is likely to have illegal, improper, or erroneous use. An audit of the program may identify issues not previously noted in the risk assessment. For instance, the overall risk level for the purchase card program may be assessed as *low* based on the design of internal controls and the size of the program; however, an audit may find that controls are not working effectively or that illegal, improper, or erroneous activity has taken place.

Background

The Government Charge Card Abuse Prevention Act of 2012 requires Inspectors General of executive agencies to conduct periodic assessments or audits of purchase card and travel card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and

payments.¹ Through these risk assessments, the Inspectors General develop a plan to determine the scope, frequency, and number of periodic audits of these programs. In September 2013, the Office of Management and Budget (OMB) issued OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, which states that Inspectors General will conduct annual risk assessments of agency purchase cards to analyze the risks of illegal, improper, or erroneous purchases.

The CFPB participates in the U.S. General Services Administration's SmartPay2 program through a task order with the U.S. Department of the Treasury's master contract with Citibank. Within the U.S. Department of the Treasury, the Bureau of the Fiscal Service's Administrative Resource Center provides purchase card administrative services and acts as the liaison between the CFPB and Citibank.

The CFPB's Office of Procurement is responsible for managing the operation of the purchase card program and ensuring that the program complies with applicable laws, regulations, policies, and procedures. The CFPB's Office of Procurement also monitors the effectiveness of the purchase card program as a payment vehicle while working to ensure that the proper controls are in place. The CFPB operates its purchase card program under the policies and procedures set forth in the *Purchase Card Policy and Management Plan*, which was finalized in July 2014. As of September 30, 2015, the CFPB had 411 active cardholders, and these cardholders made approximately 3,500 transactions totaling approximately \$2.1 million in fiscal year 2015.

Objective, Scope, and Methodology

Our overall objective was to analyze the risks of illegal, improper, or erroneous purchases and payments associated with the CFPB's purchase card program. To conduct our risk assessment, we obtained and reviewed the Office of Procurement's objectives for the program; the purchase card policies and procedures; and the results of prior external and internal audits and reviews of the program. In addition, we interviewed the responsible agency program coordinator to identify risks that could prevent the office from achieving its goals and controls to mitigate these risks. We conducted our risk assessment work from October 2015 through December 2015.

We used five risk categories in our risk assessment—financial, strategic, operational, compliance, and reputational—as defined below:

- **Financial:** The risk that an event related to the purchase card could occur that has a significant financial effect on the agency or the Office of Procurement's budget process.
- **Strategic:** The risk that an event related to the purchase card could impede the agency's ability to achieve its mission and strategic objectives.

1. The OIG initiated a risk-based audit of the CFPB's travel card program this year based on the results of our 2014 CFPB risk assessment. This risk-based audit serves as the OIG's 2015 annual risk assessment of the CFPB's travel card program. We will transmit the results of this audit upon its completion.

- **Operational:** The risk that an event related to the purchase card could be negatively affected by inadequate, ineffective, or failed business processes, human capital, or technology and information management.
- **Compliance:** The risk that an event related to the purchase card could hamper the program's ability to comply with applicable laws, regulations, or internal policies and procedures related to the purchase card.
- **Reputational:** The risk that an internal or external event related to the purchase card could diminish the Office of Procurement's, or the CFPB's, stature, credibility, or effectiveness.

The Office of Procurement identified inherent risks by relevant risk category and assessed their impact and likelihood. *Impact* is the likely magnitude of deficiency that could result from the risk. *Likelihood* is the level of possibility that a risk will occur. Our office then assessed the impact and likelihood of risks by risk category considering the effect of internal controls, the results of prior audits, and other relevant documentation. We assigned a level of *low*, *medium*, or *high*, using the criteria from table 1. We then combined the impact and likelihood of individual risk category levels to arrive at an average overall risk level.

Table 1: Definition of Risk Impact and Likelihood

Level	Risk impact definition	Risk likelihood definition
High	Significant impact on current operations and long-term objectives	Highly likely to occur
Medium	Limited impact on current operations and long-term objectives	Likely to occur
Low	Minimal impact on current operations and long-term objectives	Unlikely to occur

Source: OIG analysis.

Results of Risk Assessment

Table 2 shows, for each risk category, the assessed level of impact and the likelihood for identified risks within the category. The average overall risk level determines the final risk assessment for the program.

Table 2: Risk Levels by Risk Category for the CFPB's Purchase Card Program

Risk category	Impact	Likelihood	Overall risk level
Financial	Low	Low	Low
Strategic	Low	Low	Low
Operational	Low	Low	Low
Compliance	Medium	Low	Low
Reputational	Low	Low	Low
Average risk level	Low	Low	Low

Source: OIG analysis.

Conclusion

The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the CFPB's purchase card program is *low*. As a result, we will not include an audit of the purchase card program in the OIG's 2016 annual audit plan.

This report is provided for informational purposes, and a response is not required. The OIG appreciates the cooperation and assistance provided by your staff during this risk assessment. If you have any questions, please contact me at 202-973-5005 or Melissa Heist, Associate Inspector General for Audits and Evaluations, at 202-973-5024.

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