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Office of Inspector General
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Information Report: Department of State 2022 Travel Charge Card Risk Assessment

INFORMATION REPORT

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SUMMARY OF REVIEW

The Government Charge Card Abuse Prevention Act of 2012,¹ as implemented by Office of Management and Budget (OMB) Circular A-123, Appendix B,² requires the Office of Inspector General (OIG) to conduct annual risk assessments of agency purchase and travel card programs. The assessments are conducted to identify and analyze risks of illegal, improper, or erroneous purchases and payments for use in determining the scope, frequency, and number of periodic audits of these programs.³

To assess risk associated with the Department of State's (Department) travel card program, OIG reviewed the Department's FY 2021 travel card data and concluded that the risk of illegal, improper, or erroneous use in the Department's travel card program was "medium." OIG based its conclusion on the travel card program's size, internal controls, training, previous audits, and OIG Office of Investigations (INV) observations.

Because OIG concluded that risk to the travel card program is "medium," OIG is not recommending that an audit of the Department's travel card program be included in its FY 2024–FY 2025 work plan. However, OIG encourages Department officials to continue prudent oversight of the travel card program to ensure that internal controls intended to safeguard taxpayer funds are fully implemented and followed by Department travel card holders.

OBJECTIVE

OIG conducted this risk assessment to establish the risk of illegal, improper, and erroneous use of the Department's travel card program and to recommend the scope, frequency, and number of audits that should be conducted on the basis of the aforementioned risk assessment.

BACKGROUND

The Government Charge Card Abuse Prevention Act of 2012, as implemented by OMB Circular A-123, Appendix B, requires OIG to conduct annual periodic risk assessments of agency purchase and travel card programs. The assessments are conducted to identify and analyze risks of illegal, improper, or erroneous purchases for use in determining the scope, frequency, and number of periodic audits of these programs.⁴ In addition, OMB Circular A-123, Appendix B, outlines OIG risk assessment requirements, as well as additional required internal controls for agency charge card programs. Furthermore, OMB issued guidance⁵ that prescribes policies

¹ Public Law 112-194 (October 5, 2012).

² OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" (July 15, 2016), Appendix B, "A Risk Management Framework for Government Charge Card Programs" (August 27, 2019).

³ Public Law 112-194, Sec. 2 § 1909(d)(1) and Sec. 3 (h)(3).

⁴ Ibid.

⁵ OMB Circular A-123, Appendix B.

and procedures regarding how agencies should maintain internal controls to reduce the risk of fraud, waste, and error in government charge card programs.

The 2022 risk assessment of the Department's travel card program, which covers FY 2021 spending data, is the eighth risk assessment of the Department's travel card program conducted by OIG. Department officials reported that in FY 2021, 11,009 travel cardholders (9,991 individually billed accounts and 1,018 centrally billed accounts) made purchases totaling approximately \$87 million (\$7 million for individually billed accounts and \$80 million for centrally billed accounts).

The purpose of this information report is to convey the results of this risk assessment and promote the timely implementation of management practices that will result in the sound stewardship of U.S. taxpayer dollars. See Appendix A for additional details on the purpose, scope, and methodology of this risk assessment.

RESULTS

Criteria Ratings

On the basis of documentation and information provided by Department officials, OIG determined that the Department generally complied with required internal controls for the travel card program. Overall, 90 percent (55 of 61) of the internal controls assessed complied with established criteria,⁶ including 85 percent (22 of 26) compliance with internal controls specific to travel cards. Because the majority (90 percent) of internal controls assessed complied with established criteria, OIG assigned the Department a rating of "low" for the internal control criterion.

The availability of training and the incorporation of training in Department policy was rated "low" risk because Department officials provided detailed documentation regarding available training and policies requiring travel card holders and approving officials to complete appropriate training related to travel charge cards.

With respect to the previous audits criterion, OIG issued a report of the Department's travel card program in September 2016.⁷ That report included seven recommendations. As of July 21, 2022, four recommendations had been implemented and closed, and three recommendations remained open, pending further action. Although three recommendations from OIG's 2016 report remained open, each was considered resolved because the Department had taken some action to address them. Specifically, the Department had conducted internal reviews of its domestic bureaus' Agency/Organization Program Coordinators and was making progress toward fully implementing the remaining open recommendations. Therefore, OIG determined that the risk associated with the previous audits criterion was "medium."

⁶ See Appendix A of this report for details on the criteria used.

⁷ OIG, *Audit of the Department of State Travel Card Program* (AUD-CGI-16-48, September 2016).

In addition, INV forensic auditors stated that the Department took actions to improve travel charge card internal controls. The information provided by INV resulted in a “low” rating for this criterion. The individual criterion ratings and overall combined rating are shown in Table 1.

Table 1: Risk Rating by Criterion

Criterion	2021 Rating
Internal Controls	Low
Training	Low
Previous Audits	Medium
INV Observation	Low
Combined	Low*

* Individual criterion ratings were assigned numeric values, and the total was averaged to identify a combined rating. Criteria rated as “low” risk were assigned a numeric value of 1, criteria rated as “medium” risk were assigned a numeric value of 2, and criteria rated as “high” risk would have been assigned a numeric value of 3.

Source: Generated by OIG based on its analysis of the Department’s FY 2021 travel card program information and documentation.

Impact and Likelihood Factor

Department officials reported that 11,009 Department travel cardholders made purchases totaling approximately \$87 million in FY 2021. Because the dollar amount of the total purchases made was more than \$10 million and the number of Department travel card holders was more than 500, the overall impact and likelihood factor was “very high,” as shown in Table 2.⁸

Table 2: Impact and Likelihood Factor

		2021 Rating
Impact	\$87 million	High
Likelihood	11,009 cardholders	High
Impact and Likelihood Factor		Very High

Source: Generated by OIG based on its analysis of the Department’s travel card program information and documentation related to total Department purchases in FY 2021 and the number of travel cardholders.

Risk Assessment

Overall, OIG determined that the risk of illegal, improper, or erroneous use in the Department travel card program is “medium.” Because OIG concluded that risk to the travel card program is “medium,” OIG is not recommending that an audit of the Department’s travel card program be included in OIG’s FY 2024–FY 2025 work plan. However, OIG encourages the Department’s travel card program manager to fully implement the recommendations made in OIG’s 2016 travel card audit report,⁹ continue prudent oversight of the travel card program, and ensure that internal controls intended to safeguard taxpayer funds are fully implemented and followed

⁸ Refer to Appendix A, Tables A.1 and A.2, for OIG’s methodology in determining the impact and likelihood factor.

⁹ AUD-CGI-16-48, page 7.

by Department travel card holders. This is particularly important given the “very high” rating for impact and likelihood, which is based on the dollars spent in the Department’s travel card program and the number of cardholders in the Department’s travel card program.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) performed this risk assessment from July to August 2022. The objective of this assessment was to establish the risk of illegal, improper, and erroneous use of the Department of State’s (Department) travel card program and recommend the scope, frequency, and number of audits that should be conducted on the basis of the aforementioned risk assessment. To perform this risk assessment, OIG considered the Department’s travel card program size, internal controls, training, previous audits, and OIG Office of Investigations (INV) observations. OIG conducted this risk assessment using industry standard principles for risk management.¹

This risk assessment was not an audit and was not conducted in accordance with generally accepted government auditing standards. The results of this risk assessment should not be interpreted to conclude that travel card programs with lower risk are free of illegal, improper, or erroneous use or internal control deficiencies. Conversely, a higher risk program may not necessarily signify illegal, improper, or erroneous use—only that the program’s conditions are conducive to those activities.

Regardless of the risk assessment results, if the travel card program were to be audited, an audit team might identify such issues through independent testing of travel card data. For example, a travel card program may be found to be “very low” risk on the basis of documentation and other information provided by agency officials, the number of cardholders, and the total amount of travel card expenditures. However, an audit of that travel card program may determine that the internal controls outlined in an agency’s policy are not being implemented appropriately and that illegal, improper, or erroneous activity is occurring. This risk assessment was designed to identify the programs on which the OIG Office of Audits should focus its limited resources.

Assessment Criteria

To conduct this risk assessment, OIG reviewed FY 2021 travel card data, documentation, and information provided by Department officials.² OIG assessed the travel card program using four criteria: internal controls, training, previous audits, and INV observations. OIG assigned a rating of “low,” “medium,” or “high” to identify the risk associated with each factor.³

¹ Committee of Sponsoring Organizations of the Treadway Commission, “Enterprise Risk Management – Integrated Framework Executive Summary” (September 2004); Deloitte & Touche, LLP, “Risk Assessment in Practice” (October 2012).

² In performing this risk assessment, OIG used travel card data reported by the Department without independently verifying the data for accuracy and completeness. The Department travel card program manager reported that travel card holders made purchases totaling approximately \$87 million in FY 2021.

³ OIG team members used professional judgment to determine compliance with requirements in assessing risk ratings for each factor.

Internal Controls

OIG used criteria identified in the Government Charge Card Abuse Prevention Act of 2012⁴ and Office of Management and Budget (OMB) Circular A-123, Appendix B,⁵ to assess internal controls associated with the Department's travel card program. OIG assessed the travel card program for 35 general internal controls and 26 internal controls specific to travel card programs (a total of 61 internal controls assessed). For example, a general control would apply to both purchase card and travel card programs, such as the OMB Circular A-123 requirement that agencies perform periodic reviews of spending and transaction limits to ensure appropriateness.⁶ Travel card-specific controls, such as the requirement that agencies monitor the accuracy of rebates and refunds that are based on prompt payment, sales volume, or other agency actions on travel charge card accounts, apply only to travel card programs.⁷ OIG assigned a rating of "low," "medium," or "high" on the basis of documented compliance with required internal controls. Specifically, OIG assigned a "low" rating to programs with a high percentage (above 75 percent) of compliant internal controls. OIG assigned a "medium" rating to programs with neither a high percentage of compliant internal controls, nor a high percentage of noncompliant internal controls. OIG assigned a "high" rating to programs with a high percentage (above 50 percent) of non-compliant internal controls.

Training

OIG assigned the Department's travel card program a rating of "low," "medium," or "high" based on the availability of training and incorporation of training into its policy for the program. Specifically, OIG assigned a "low" rating when training was available and incorporated into policies. OIG assigned a "medium" rating when training was available but not incorporated into policies or when training was not available but was incorporated into policies. OIG assigned a "high" rating when training was not available and was not incorporated into the organization's policies.

Previous Audits

To assess the Department's travel card program, OIG reviewed the results of previous audits, as well as the implementation status of associated recommendations. OIG assigned a "low" rating to programs that had been audited in the last 10 years and had implemented recommendations. OIG assigned a "medium" rating to programs that had been audited in the last 10 years but had not fully implemented recommendations. OIG assigned a "high" rating to programs that had not been audited within the last 10 years. The ratings were mitigated if the program provided documentation of meaningful internal reviews (conducted by the agency).

⁴ Public Law 112-194 (October 5, 2012), Sec. 3(h)(1)(A)-(I).

⁵ OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" (July 15, 2016), Appendix B, "A Risk Management Framework for Government Charge Card Programs" (August 27, 2019).

⁶ OMB Circular A-123, Attachment 5, "Best Practices in Managing Government Charge Card Programs."

⁷ Public Law 112-194, Sec. 3(h)(1)(B).

INV Observations

On the basis of guidance from INV forensic auditors, OIG assigned the Department’s travel card program ratings of “low,” “medium,” or “high.” Office of Audits personnel met with INV personnel to gain an understanding of the data mining⁸ efforts being used to review Department travel card transactions. INV provided information on the results of its data mining analyses and interviews with Department officials responsible for the travel card program.

Impact and Likelihood

Impact refers to the extent to which a risk event might affect the Department, and likelihood represents the possibility that a given event might occur. OIG assigned an impact rating of “low,” “medium,” or “high” based on the dollars spent in the Department’s travel card program and assigned a likelihood rating of “low,” “medium,” or “high” based on the number of cardholders in the Department’s travel card program. The rating criteria are shown in Table A.1.

Table A.1: Impact and Likelihood Ratings

Rating	Impact	Likelihood
Low	Less than \$1 million	Fewer than 250 cardholders
Medium	\$1 million to \$10 million	250 to 500 cardholders
High	More than \$10 million	More than 500 cardholders

Source: Generated by OIG based on multiple sources, including industry standard principles for risk management.

Using the information obtained in Table A.1, OIG plotted the impact and likelihood ratings on a chart known as a heat map, which depicts the intersections of the ratings, to determine the impact and likelihood factor. The heat map is shown in Table A.2. OIG used this single impact and likelihood combined “factor” in the final overall risk assessment (Table A.3) for the Department’s travel card program.

Table A.2: Impact and Likelihood Factor Heat Map Table

		Factor		
		Medium	High	Very High
Impact Rating	High	Medium	High	Very High
	Medium	Low	Medium	High
	Low	Very Low	Low	Medium
		Low	Medium	High
		Likelihood Rating		

Source: Generated by OIG based on industry standard principles for risk management.

Final Risk Assessment

OIG plotted the combined criteria rating found in Table 1 with the combined impact and likelihood factor found in Table 2 to determine the final risk assessment rating for the

⁸ Data mining is the practice of searching through large amounts of computerized data to find useful patterns or trends.

Department’s travel card program. Specifically, OIG used the final risk assessment heat map shown in Table A.3 to arrive at the overall risk assessment rating.

Table A.3: Final Risk Assessment Heat Map Table

		Final Rating		
		Medium	High	Very High
Impact and Likelihood Factor	Very High	Medium	High	Very High
	High	Medium	High	Very High
	Medium	Low	Medium	High
	Low	Very Low	Low	Medium
	Very Low	Very Low	Low	Medium
		Low	Medium	High
		Combined Criteria Rating		

Source: Generated by OIG based on industry standard principles for risk management.

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