

Federal Housing Finance Agency  
Office of Inspector General



# **Risk Assessment of FHFA's Charge Card Programs April 1, 2023 – March 31, 2024**

## ..... EXECUTIVE SUMMARY .....

### PURPOSE

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires our office to conduct periodic risk assessments of the Federal Housing Finance Agency's (FHFA or Agency) charge card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments.

We conducted this risk assessment of FHFA's charge card programs, covering both purchase cards and travel cards for the period from April 1, 2023, through March 31, 2024 (assessment period) to determine scope, frequency, and number of audits of FHFA's charge card programs to perform.

### RESULTS

We concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA's charge card programs was low during the assessment period. The assessment of low risk for the purchase card program was consistent with our prior year's assessment, while the assessment of low risk for the travel card program reflected an improvement from our prior year's moderate risk assessment. Accordingly, we determined that an audit of these programs is not warranted at this time.

We acknowledge the Agency's progress in the management of travel card program risks over the course of this assessment period. However, recommendations made in our prior year's management advisory remain unimplemented, which may increase the risk of deficiencies re-occurring in certain key control objectives. We encourage management to implement its planned corrective actions to address recommendations made in our management advisory.

We further note that this period's assessment of low risk in FHFA's purchase card and travel card programs 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.

This report was prepared by Jim Lisle, Audit Director; 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 Congress, the Office of Management and Budget, 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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## 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
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>

## 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 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.

Office of Management and Budget (OMB) Circular No. A-123 (OMB A-123), Appendix B, implements requirements of the Charge Card Act and consolidates government-wide charge card program management requirements and guidance issued by OMB, the Government Accountability Office (GAO), the U.S. General Services Administration, the Department of the 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 Financial Officer administers the Agency's charge card programs. This office ensures that FHFA's purchase cards and travel cards comply with the Charge Card Act<sup>1</sup> and OMB A-123 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 charge card programs. ARC assists FHFA in managing its purchase cards and travel cards.

FHFA had 22 purchase cards and 163 travel cards that were active during fiscal year 2023. 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 assessment period. Purchase card and travel card expenditures were \$1,074,607 and \$1,113,819 during the assessment period, respectively.<sup>3</sup>

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

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

<sup>3</sup> 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**

As required by OMB A-123, FHFA 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 and Management Advisory**

We conducted our last risk assessment of FHFA's charge card programs in fiscal year 2023 covering the period April 1, 2022, through March 31, 2023. We reported that the risk of illegal, improper, or erroneous purchases and payments through FHFA's purchase cards and travel cards was low and moderate, respectively. Accordingly, we determined that an audit of the programs was not warranted. However, we issued a management advisory concerning deficiencies within

FHFA’s travel card program that required management’s immediate attention.<sup>4</sup> Specifically, we found that some employees did not comply with applicable travel guidance as follows: (1) employees did not submit travel vouchers within five working days after travel; (2) approving officials did not review and approve travel vouchers within five calendar days after voucher submissions; and (3) some employees did not use their travel cards to pay for official travel expenses.

We made four recommendations to improve FHFA’s travel card program. As of March 2025, FHFA had not fully implemented its planned corrective actions.

## 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).<sup>5</sup> We identified key purchase card and travel card control objectives using the criteria identified in the Charge Card Act,<sup>6</sup> OMB A-123, Appendix B,<sup>7</sup> and the Federal Travel Regulation.<sup>8</sup> 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.

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<sup>4</sup> See OIG, [\*Deficiencies in FHFA’s Travel Program from April 1, 2022, Through March 31, 2023\*](#) (September 28, 2023) (OIG-2023-001).

<sup>5</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>6</sup> Public Law No. 112-194.

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

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

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

IMPACT						
LIKELIHOOD		Incidental	Minor	Moderate	Major	Extreme
	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		Likelihood Level	
Risk Impact		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.

## OBJECTIVE AND SCOPE .....

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, 2023, through March 31, 2024. During that time, purchase card and travel card spending was \$1,074,607 and \$1,113,819, respectively.

For details on methodology, see the Appendix.

## RESULTS .....

### 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 approval of payments. Additionally, FHFA’s Senior Purchase Card Program Specialist conducts monthly reviews of purchase card payments. We determined that the overall risk of illegal, improper, or erroneous purchases 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	Unlikely	Low
Card transactions were assessed regularly		Minor	Rare	Low
Suspicious card transactions (i.e., improper purchases) did not exist		Moderate	Unlikely	Moderate
Number of card transactions was not excessive		Moderate	Rare	Low
Inactive card accounts were not excessive		Minor	Rare	Low
Cardholders who were not FHFA employees did not exist		Minor	Rare	Low
Ratio of cardholders to approving officials was low		Minor	Rare	Low
Reportable card misuse requiring administrative or disciplinary actions did not exist		Moderate	Rare	Low
Corrective actions from reviews were implemented	30 percent	Minor	Rare	Low
Previous audit recommendations were addressed		Minor	Rare	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 the overall risk of illegal, improper, or erroneous purchases and payments for the Agency's travel card program was low. This was an improvement since our prior year's overall determination of moderate risk; the reduced risk classification is due primarily to

progress made in the submission and approval of travel vouchers. Furthermore, there was a decrease in instances of reported card misuse since the prior year's assessment, and ARC's reviews of travel cards (e.g., overpayments to travelers) in this assessment period did not find a heightened risk of suspicious transactions. These changes prompted improvements in the Risk Level for Key Control Objectives related to suspicious card transactions (Moderate to Low), timely payments (High to Moderate), and reportable card misuse (Moderate to Low). However, because FHFA had not fully implemented its planned corrective actions for the four recommendations reported in the prior year's management advisory, the Risk Likelihood for the Key Control Objective related to addressing previous audit recommendations increased (Possible to Likely), resulting in a Moderate Risk Level for that category. **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	Unlikely	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	Unlikely	Low
Number of individual billed account cardholders was not excessive		Minor	Rare	Low
Payments on accounts were timely		Moderate	Unlikely	Moderate
Reportable card misuse requiring administrative or disciplinary actions did not exist		Minor	Rare	Low
Previous audit recommendations were addressed	30 percent	Minor	Likely	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.

## CONCLUSION.....

We concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA’s charge programs was low during the period from April 1, 2023, through March 31, 2024. As such, we determined that an audit is not warranted at this time. While we acknowledge the Agency’s progress in the management of travel card program risks this assessment period, unimplemented recommendations from our prior year’s management advisory may increase the risk of deficiencies re-occurring in certain key control objectives. Accordingly, we encourage management to implement its planned corrective actions to address recommendations made in our management advisory to: (1) reinforce FHFA’s Travel Policy and Federal Travel Regulation requirements to employees and approving officials through ongoing training and periodic reminders of responsibilities; (2) ensure that employees submit travel vouchers within five working days after completing their travel; (3) ensure that employees are aware and periodically reminded that the travel cards must be used for all official travel expenses; and (4) ensure that approving officials approve travel reimbursements within five calendar days of receipt of the voucher in the Agency’s electronic travel system.

## FHFA COMMENTS AND OIG EVALUATION.....

We provided FHFA an opportunity to comment on a draft of this report. FHFA management provided a technical comment, which we considered in finalizing this report. FHFA management chose not to provide a written management response because there were no recommendations.

## APPENDIX: METHODOLOGY .....

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’s 2023 Federal Managers’ Financial Integrity Act of 1982 Statement of Assurance to determine whether it noted any weaknesses in internal controls over FHFA’s purchase and travel cards.
- Reviewed FHFA’s February 2024 Charge Card Management Plan to determine whether it complied with applicable requirements of OMB A-123, Appendix B and was submitted to OMB.
- Reviewed the Agency’s fiscal year 2023 Risk Profile for Charge Card Risk to determine whether it was coordinated with the annual strategic review.
- Reviewed FHFA Charge Card Reporting to determine the number of purchase and travel cards; the dollar amount of travel and purchase card transactions during the risk assessment period and whether there were any reported violation or disciplinary actions for FHFA purchase or travel cards.
- Determined whether FHFA reported its purchase card transaction information to the General Services Administration’s Center for Charge Card Management in accordance with OMB A-123 requirements.
- Determined whether the Agency maintained the OMB A-123 required narrative reporting of performance metric data for its own use and management of its charge card programs.
- Reviewed the training materials that FHFA provided to its staff for its charge card programs to comply with the requirements of OMB A-123.
- Interviewed FHFA’s Office of the Chief Financial Officer 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.

- Obtained an understanding of FHFA charge card program compliance testing performed by ARC and FHFA during the assessment period. Reviewed ARC reports of charge card programs compliance testing results.
- Reviewed an FHFA prepared spreadsheet of travel vouchers submitted during the assessment period to determine whether travel vouchers were being submitted and reviewed in accordance with the time constraints established in FHFA's Travel Policy.
- Reviewed certain food and beverage purchases made with FHFA purchase cards during the assessment period to assess general compliance with FHFA's Food and Beverage Policy and Micro-Purchase Procedures and Supplemental Purchase Cardholder Guidance.
- Obtained an understanding of the FHFA process for following up on delinquent travel card accounts and declined purchase card transactions. Reviewed documentation of follow-up for: (1) all 52 accounts reported delinquent during the assessment period and (2) a sample of 14 weekly declined purchase card transaction reports selected randomly from the population of 52 weekly declined purchase card transaction reports generated during the assessment period.
- Made inquiries of GAO's staff to determine whether the scope and results of its audit of FHFA's 2023 financial statements were relevant to our risk assessment.
- 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.
- We conducted this risk assessment from April 2024 through May 2025.

## Federal Housing Finance Agency Office of Inspector General

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