



September 29, 2020

MEMORANDUM FOR: BRYAN SLATER
Assistant Secretary
for Administration and Management

JAMES E. WILLIAMS
Chief Financial Officer

Elliot P. Lewis

FROM: ELLIOT P. LEWIS
Assistant Inspector General
for Audit

SUBJECT: Risk Assessment of DOL's Purchase and Travel
Card Programs, Report No. 17-20-004-50-598

We completed our required risk assessment of the Department of Labor's (DOL) purchase and travel card programs as of June 30, 2020, pursuant to the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194.

Based on the results of our assessment, we found the risk of illegal, improper, or erroneous use of DOL's purchase and travel cards is very low to moderate. We also identified that DOL's Office of the Chief Procurement Officer has developed new tracking and reporting procedures to provide transparency and accountability for DOL's COVID-19 government purchase card spending, as required by Office of Management and Budget Memorandum M-20-21, *Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease*, dated April 10, 2020.

However, the results of the risk assessment do not mean the DOL purchase and travel card programs are free of illegal, improper, or erroneous use or internal

control deficiencies. As such, an audit of the programs may identify issues not previously noted in the risk assessment. Because of inherent limitations, internal controls may not prevent, detect, or correct misstatements, and projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The Charge Card Act was designed to prevent recurring waste, fraud, and abuse of government-wide charge cards. The law requires agencies to implement safeguards and internal controls to prevent and detect improper use of government purchase cards, convenience checks, and travel cards. Under the Charge Card Act, Inspectors General are required to conduct periodic risk assessments of agency purchase cards, combined integrated card programs,¹ and travel card programs to analyze the risks of illegal, improper, or erroneous purchases.

DOL obtains purchase, travel, and fleet cards through the U.S. General Services Administration's SmartPay3® program, which provides charge cards to U.S. Government agencies through master contracts with 3 major banks. One of these banks, Citibank, has been DOL's credit card service provider since 2008. In Fiscal Year 2019, DOL had 1,026 purchase card holders who incurred 38,201 transactions, totaling approximately \$18 million, and 10,352 travel cardholders who incurred 265,818 transactions, totaling approximately \$38 million.²

DOL utilizes centrally-billed purchase card and convenience check accounts, and individual and centrally-billed accounts for travel. DOL's Office of Administration and Management manages the purchase card program, and the Office of the Chief Financial Officer manages the travel card program.

Methodology

To perform our risk assessment, we utilized various methods of review and analytical testing (see Figure 1 – Methods of Risk Assessment).

¹ The integrated card is a combination of two or more business lines on a single card. (e.g. purchase and travel) DOL does not use an integrated card.

² GSA SmartPay, Sales, Transactions and Account Holder Data (2009 – 2020) – Bank Data by Year: <https://smartpay.gsa.gov/content/sales-transactions-account-holder-data>

FIGURE - 1 METHODS OF RISK ASSESSMENT



Source: OIG Risk Assessment procedures

We assessed the residual risks³ as of June 4, 2020, associated with each key program objective and then assigned a risk impact and risk likelihood level. Risk impact is the likely magnitude that the risks would have on the key objective. Risk likelihood is the level of possibility that a risk will occur that effects the key objective. We then assigned a risk level ranging from very low to very high (see Figure 2 – Definition of Risk Impact and Likelihood).

FIGURE - 2 DEFINITION OF RISK IMPACT AND LIKELIHOOD

Risk Level	Risk Impact Definition	Risk Likelihood Definition
Very High	Degradation of activity is severe and affects the ability to meet key program objective requiring immediate escalation or management intervention to reach required levels of performance of key program objective.	Risk event is almost certain to occur
High	Degradation of activity is major requiring immediate escalation or management intervention to reach required levels of performance of key program objective.	Risk event highly likely to occur
Moderate	Degradation of activity is moderate with material impact on performance of key program objective.	Risk event possible to occur
Low	Degradation of activity is minor. It is noticeable and may affect performance of key program objective.	Risk event is unlikely to occur
Very Low	Degradation of activity is negligible and is not expected to significantly affect performance of key program objective.	Risk event occurrence is remote

Source: U.S. Department of Labor – Office of Inspector General – Framework for Enterprise Risk Management, Version 2.0, Dated, April 20, 2018

³ Residual risk is the risk that remains after controls and any other known information are taken into account.

Results

We found the overall risk of illegal, improper, or erroneous use in DOL's purchase and travel cards is very low to moderate.

We assessed 6 key program objectives for the purchase card program and determined the overall risk of each key program objective not being accomplished was very low to moderate (see Figure 3 – Risk of Six Key Program Objectives for the Purchase Card Program Not Being Accomplished).

FIGURE - 3 RISK OF SIX KEY PROGRAM OBJECTIVES FOR THE PURCHASE CARD PROGRAM NOT BEING ACCOMPLISHED

Low	Low	Moderate	Low	Moderate	Very Low
Only used for purchases that are necessary, authorized and supported and in which funds are available	Transactions are made at a reasonable and/or fair price	Accounts are properly established and maintained	Transactions are properly accounted for in the financial system	Account balances are paid on time	Annual results are properly reported

Source: Results of OIG risk assessment of six key program objectives for the purchase card program

Likewise, we assessed 6 key program objectives for the travel card program and determined the overall risk of each key program objective not being accomplished was very low to moderate (see Figure 4 – Risk of Six Key Program Objective for the Travel Card Program Not Being Accomplished).

FIGURE - 4 RISK OF SIX KEY PROGRAM OBJECTIVES FOR THE TRAVEL CARD PROGRAM NOT BEING ACCOMPLISHED

Moderate	Moderate	Low	Low	Low	Very Low
Only used while on official Government travel for transactions that are properly authorized and supported	Properly established and maintained	Properly accounted for in the financial system	Centrally billed travel charge card balances are paid on time	Individually billed travel charge card balances are paid on time	Results are properly reported

Source: Results of OIG risk assessment of six key program objectives for the travel purchase card program

Our detailed assessments of DOL's purchase and travel card programs were provided to DOL officials under separate cover. We appreciate the cooperation and courtesies that DOL agency officials extended to the Office of Inspector General during this risk assessment.