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Information Report: International Boundary and Water Commission, United States and Mexico, U.S. Section, 2020 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) Memorandum M-13-21,² requires the Office of Inspector General (OIG) to conduct annual risk assessments of agency purchase and travel card programs 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 purchase card program at the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), OIG reviewed USIBWC's FY 2019 purchase card data and concluded that the risk of illegal, improper, or erroneous use in the USIBWC purchase card program is "low." This conclusion is based on USIBWC's purchase card program size, internal controls, training, previous audits, and OIG Office of Investigations (INV) observations.

Because OIG concluded that risk to the purchase card program is "low," OIG is not recommending an audit of USIBWC's purchase card program be included its FY 2022 - FY 2023 work plan. However, OIG encourages USIBWC officials to continue prudent oversight of the purchase card program and ensure that internal controls intended to safeguard taxpayer funds are fully implemented and followed by USIBWC purchase card holders.

OBJECTIVE

OIG conducted this risk assessment to establish the risk of illegal, improper, and erroneous use of USIBWC's purchase card program and 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 Memorandum M-13-21,⁴ requires OIG to conduct annual periodic assessments of agency purchase and travel card programs 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.⁵ In addition, OMB Memorandum M-13-21 outlines OIG risk assessment requirements, as well as additional required internal controls for agency charge

¹ Pub. L. No. 112-194 (October 5, 2012).

² OMB Memorandum M-13-21, "Implementation of the Government Charge Card Abuse Prevention Act of 2012" (September 6, 2013).

³ Pub. L. No. 112-194 (October 5, 2012), at Sec. 2 § 1909(d)(1) and Sec. 3 (h)(3).

⁴ OMB Memorandum M-13-21, "Implementation of the Government Charge Card Abuse Prevention Act of 2012" (September 6, 2013).

⁵ Pub. L. No. 112-194 (October 5, 2012), at Sec. 2 § 1909(d)(1) and Sec. 3 (h)(3).

card programs. Furthermore, OMB issued guidance⁶ that prescribes the policies and procedures regarding how agencies should maintain internal controls to reduce the risk of fraud, waste, and error in Government charge card programs.

The 2020 risk assessment of USIBWC's purchase card program, which covers FY 2019 spending data, is the seventh risk assessment of USIBWC's charge card programs conducted by OIG.⁷ USIBWC officials reported that in FY 2019, 25 purchase card holders made purchases totaling approximately \$968,000.

RESULTS

Criteria Ratings

On the basis of documentation and information provided by USIBWC officials, OIG determined that USIBWC generally complied with required internal controls for the purchase card program was generally adequate. Overall, 58 percent (47 of 81) of the internal controls assessed complied with established criteria,⁸ including 67 percent (29 of 43) compliance with internal controls specific to purchase cards. Because most internal controls assessed complied with established criteria, OIG assigned USIBWC a rating of "low" for the internal control criterion.

The availability of training and the incorporation of training in USIBWC policy was rated as "medium" risk. The USIBWC Government-wide Commercial Credit Card Manual⁹ was updated on September 15, 2015, and includes specific guidance related to initial and refresher training for cardholders and approving officials, as well as record retention requirements and potential consequences for failure to meet established training requirements. However, the requirement for USIBWC personnel to complete General Services Administration purchase card training had not been incorporated into USIBWC policies and procedures.

Regarding the previous audit criteria, OIG has not recently audited the USIBWC purchase card program. However, in FY 2019, USIBWC conducted an internal review of purchase card procurements covering the time period between May 1, 2018, and December 31, 2018. The results of the FY 2019 internal review generally demonstrated that USIBWC had installed a framework to be compliant with agency purchase card policy with some areas identified as areas for improvement. Therefore, OIG assigned a "medium" rating for the previous audit's criterion.

⁶ OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" (July 15, 2016), Appendix B, "Improving the Management of Government Charge Card Programs" (January 15, 2009).

⁷ OMB M-13-21, at 4, footnote 6, states that an annual review is only for travel card programs with prior year spending of more than \$10 million. For 2019, OIG evaluated only USIBWC's purchase card program because the travel card program had less than \$10 million in spending, which is below the threshold requiring an assessment.

⁸ See Appendix A: Purpose, Scope, and Methodology of this report for details of criteria used.

⁹ USIBWC SD.I.06057-M-1, "Government-wide Commercial Credit Card Manual" (September 15, 2015).

In addition, consultation with OIG’s INV forensic auditors did not identify significant systemic issues related to USIBWC’s purchase card data. As a result, this risk area was rated “low” for the INV observation criterion. The individual criteria ratings and overall combined rating are shown in Table 1.

Table 1: 2019 Risk Rating by Criteria

Criteria	2019 Rating
Internal Controls	Low
Training	Medium
Previous Audits	Medium
INV Observation	Low
Combined	Medium*

* Individual criteria ratings were assigned numeric values, and the total was averaged to identify an overall 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 were assigned a numeric value of 3.

Source: Generated by OIG from its analysis of purchase card program information and documentation.

Impact and Likelihood Factor

USIBWC officials reported that 25 purchase card holders made purchases totaling approximately \$968,000 in FY 2019. Because the dollar value of total purchases made was less than \$1 million and the number of USIBWC purchase card holders was fewer than 250, the overall impact and likelihood factor resulted in a “low” rating, as shown in Table 2.¹⁰

Table 2: 2018 Impact and Likelihood Factor

		2019 Rating
Impact	\$968 thousand	Low
Likelihood	25 cardholders	Low
Impact and Likelihood Factor		Low

Source: Generated by OIG from its analysis of purchase card program information and documentation.

Risk Assessment

Overall, OIG determined that the risk of illegal, improper, or erroneous use in the USIBWC purchase card program is “low.” On the basis this assessment, OIG is not recommending that an audit of USIBWC’s purchase card program be included in OIG’s FY 2022–FY 2023 work plan. However, OIG encourages USIBWC officials to continue prudent oversight of the purchase card program and ensure that internal controls intended to safeguard taxpayer funds are fully implemented and followed by USIBWC purchase card holders.

¹⁰ Refer to Appendix A: Purpose, Scope, and Methodology, Tables A.1 and A.2, for OIG’s methodology in determining the Impact and Likelihood Factor.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) performed this risk assessment from September to October 2020. The objective of this assessment was to establish the risk of illegal, improper, and erroneous use of the International Boundary and Water Commission, United States and Mexico, U.S. Section's (USIBWC) purchase 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 the risk assessment, OIG considered USIBWC's purchase card program size, internal controls, training, previous audits, and OIG Office of Investigations (INV) observations. OIG conducted the 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 the risk assessment should not be interpreted to conclude that purchase 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 conditions are conducive to those activities. Regardless of the risk assessment results, if the purchase card program were to be audited, an audit team might identify such issues through independent testing of purchase card data. For example, a purchase 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 purchase card expenditures. However, an audit of that purchase 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. The risk assessment was designed to identify the programs in which the OIG Office of Audits should focus its limited resources.

Assessment Criteria

To conduct the risk assessment, OIG reviewed FY 2019 purchase card data and documentation, as well as information provided by USIBWC officials.² OIG assessed the purchase card program on the basis of four criteria:³ 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.

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

² In performing this risk assessment, OIG used purchase card data reported by USIBWC without independently verifying the data for accuracy and completeness. USIBWC reported that purchase cardholders made purchases totaling approximately \$968,000 in FY 2019.

³ OMB Memorandum M-13-21, “Implementation of the Government Charge Card Abuse Prevention Act of 2012” (September 6, 2013), at 3, states that agencies that spend more than \$10 million annually using purchase cards are required to submit annual “violation reports.” Because USIBWC did not have more than \$10 million in purchases, it did not prepare a violation report. Therefore, OIG did not consider this factor during the USIBWC purchase card program risk assessment.

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 B⁵ to assess internal controls associated with USIBWC's purchase card program. OIG assessed the purchase card program for 28 general internal controls and 29 internal controls specific to purchase card programs (a total of 57 internal controls assessed).⁶ 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.⁷ Purchase card specific controls apply only to purchase card programs, such as the requirement that agencies have policies in place to ensure that each cardholder is assigned an approving official with authority to approve or disapprove transactions.⁸ 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 non-compliant internal controls. OIG assigned a "high" rating to programs with a high percentage (above 50 percent) of non-compliant internal controls.

Training

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

Previous Audits

To assess USIBWC's purchase card program, OIG reviewed the results of previous audits, as well as the implementation status of associated recommendations. OIG assigned a "low" rating when a program had been audited in the last 10 years and recommendations had been implemented. OIG assigned a "medium" rating for programs that had been audited in the last

⁴ Pub. L. No. 112-194 (October 5, 2012), at Sec. 2 § 1909(a)(1)-(13), § 1909(c)(1) and (3)(A) and (B), and § 1909 (d)(1)-(3).

⁵ OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" (July 15, 2016), Appendix B, "Improving the Management of Government Charge Card Programs" (January 15, 2009), Appendix B §§ 2.3, 3.1, 3.4, 4.1, 4.2, 4.3, 4.4, 4.8, 12.2, and Attachment 5, "Best Practices in Managing Government Charge Card Programs."

⁶ The requirements for the internal controls varied. Some were required to be included in the organization's purchase card program guidance while others were not required to be documented but were still required. Since OIG reviewed only documented controls, it could not determine whether undocumented controls were compliant or non-compliant.

⁷ OMB Circular A-123, Attachment 5, "Best Practices in Managing Government Charge Card Programs."

⁸ Pub. L. No. 112-194, at Sec. 2 § 1909(a)(2).

10 years but for which recommendations had not been fully implemented. OIG assigned a “high” rating for a program that had not been audited within 10 years. The ratings were mitigated if the program provided documentation of meaningful internal reviews (conducted by the agency).

INV Observations

OIG assigned ratings of “low,” “medium,” or “high” for USIBWC’s purchase card program on the basis of guidance from INV forensic auditors. Office of Audits personnel met with INV personnel to gain an understanding of the data mining⁹ efforts being used to review USIBWC purchase card transactions. INV provided information on the results of its data mining analyses and interviews with USIBWC officials responsible for the purchase card program.

Impact and Likelihood

Impact refers to the extent to which a risk event might affect USIBWC, and likelihood represents the possibility that a given event might occur. OIG assigned an impact rating of “low,” “medium,” or “high” on the basis of the dollars spent in the USIBWC purchase card program and assigned a likelihood rating of “low,” “medium,” or “high” on the basis of the number of cardholders in the USIBWC purchase 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 from the review of 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 a rating for 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 USIBWC purchase card program.

⁹ Data mining is the practice of searching through large amounts of computerized data to find useful patterns or trends.

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

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

Source: Generated by OIG from a review of industry standard principles for risk management.

Final Risk Assessment

OIG plotted the combined individual criteria rating found in Table A.1, along with the combined impact and likelihood factor found in Table A.2, to determine the final risk assessment rating for USIBWC’s purchase 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		
		Very High	Medium	High
Impact and Likelihood Factor	High	Medium	High	Very High
	Medium	Low	Medium	High
	Low	Very Low	Low	Medium
	Very Low	Very Low	Low	Medium
	Combined Criteria Rating			
		Low	Medium	High

Source: Generated by OIG from a review of industry standard principles for risk management.

OIG AUDIT TEAM MEMBERS

Denise Colchin, Director
Contracts, Grants, and Infrastructure Division
Office of Audits

Weldon Boone, Senior Auditor
Contracts, Grants, and Infrastructure Division
Office of Audits

Marcus Jaramillo, Senior Auditor
Contracts, Grants, and Infrastructure Division
Office of Audits

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WPEAOmbuds@stateoig.gov

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