

Federal Housing Finance Agency
Office of Inspector General



**Risk Assessment of FHFA's
Government Purchase Card and
Travel Card Programs
April 1, 2020 – March 31, 2021**



OIG-RA-2021-
001

June 17, 2021

Executive Summary

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), as implemented by the Office of Management and Budget (OMB) Circular No. A-123, Appendix B (revised August 27, 2019), *A Risk Management Framework for Government Charge Card Programs*, requires, among other things, that the Inspector General of each executive agency conduct periodic risk assessments of agency purchase card (including convenience checks) programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments to perform analyses or audits of these programs as necessary. Where annual travel card spending for an agency exceeds \$10 million, the Charge Card Act and the OMB Circular require periodic audits or reviews of the agency's travel card program.

For fiscal year 2020, the Federal Housing Finance Agency's (FHFA or Agency) purchase card expenditures were \$973,970 and travel card expenditures were \$1,371,612. Because travel card expenditures for the period were significantly less than \$10 million, no periodic audit or review of FHFA's travel card program is required.

Pursuant to the Charge Card Act, we conducted a risk assessment of FHFA's purchase card and travel card programs for the period April 1, 2020, to March 31, 2021 (assessment period). Based on our risk assessment, we concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA's purchase card and travel card programs during the assessment period was low. Accordingly, we determined that an audit of the programs is not warranted for the assessment period.

While our risk assessment for FHFA's purchase card and travel card programs determined that the risk of illegal, improper, or erroneous activity in the programs was low, we caution that our risk assessment should not be interpreted to mean that the risk level will remain low indefinitely because the possibility remains that existing internal controls could become inadequate due to a change in conditions and/or degree of compliance with the policies or procedures.

This report was prepared by Heath Wolfe, Director of Audit Operations, with assistance from Abdil Salah, Assistant Inspector General for Audits, and Bob Taylor, Senior Advisor. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report.



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This report has been distributed to FHFA, Congress, OMB, Government Accountability Office (GAO), and others and will be posted on our website, www.fhfoig.gov and Oversight.gov.

Marla A. Freedman, Senior Audit Executive /s/

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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
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

BACKGROUND.....

Within FHFA, the Office of Budget and Financial Management manages the Agency's government purchase card and travel card programs. This office is also responsible for ensuring that FHFA's purchase card and travel card programs comply with the Charge Card Act¹ and OMB requirements.²

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 government purchase card and travel card programs. ARC uses the CitiDirect® Card Management System to manage FHFA's purchase card program. ARC also uses this system to manage FHFA's travel card program.

FHFA, as required by OMB, developed and maintained a Charge Card Management Plan that includes the following elements:

- Identification of key management officials and their responsibilities for each card program;
- A process for written appointment of purchase and integrated (purchase business line) cardholders;
- A process to ensure the credit worthiness 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;

¹ Public Law No. 112-194.

² OMB Circular No. A-123, Appendix B (revised Aug. 27, 2019), *A Risk Management Framework for Government Charge Card Programs*.

- 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 Audits and Risk Assessment

In 2019, we performed an audit of FHFA’s purchase card program. In that audit,³ we reported that FHFA’s controls over the purchase card program were generally followed. However, our tests did identify some exceptions to FHFA’s requirements – failures to document the receipt of goods and services, obtain prior written approval by approving officials, and timely postings of transactions to purchase card logs. While those exceptions were similar to those found by a previous audit of the program in 2018,⁴ given the dollar amount and nature of those exceptions, we made no recommendations in the 2019 report.

Our last audit of FHFA’s travel card program was performed in 2018. In that audit,⁵ we reported that FHFA had adequate written policies and procedures for its travel card program, but those policies and procedures were not always followed. We made one recommendation, with which FHFA agreed, and we subsequently confirmed in our 2019 risk assessment of the program that the Agency’s actions to address the deficiencies were completed.⁶

FACTS AND ANALYSIS

FHFA’s Fiscal Year 2020 Purchase Card and Travel Card Program Expenditures

FHFA’s purchase card and travel card expenditures during fiscal year 2020 were \$973,970 and \$1,371,612, respectively. During the assessment period, FHFA’s purchase card and travel

³ See *OIG, Audit of FHFA’s Government Purchase Card Program October 1, 2018 – March 31, 2019* (Aug. 28, 2019) ([AUD-2019-010](#)).

⁴ See *OIG, Audit of FHFA’s Fiscal Year 2017 Government Purchase Card Program Found Several Deficiencies with Leased Holiday Decorations, and the Need for Greater Attention by Cardholders and Approving Officials to Program Requirements* (Sept. 6, 2018) ([AUD-2018-011](#)).

⁵ See *OIG, Audit of FHFA’s Fiscal Year 2017 Government Travel Card Program: FHFA Needs to Emphasize Certain Program Requirements to Travelers and Approving Officials* (Sept. 25, 2018) ([AUD-2018-014](#)).

⁶ See *OIG, Risk Assessment of FHFA’s Government Travel Card Program July 1, 2018 – June 30, 2019* (Sept. 10, 2019) ([OIG-RA-2019-001](#)).

card expenditures were \$858,445 and \$11,907, respectively.⁷ FHFA's travel card expenditures were significantly reduced from prior periods due to the Agency's suspension of business travel in response to COVID-19.

Efficacy of Existing FHFA Internal Controls for Purchase Card and Travel Card Programs

For our assessment period, we found that no complaints of alleged fraud or misuse of purchase cards and/or travel cards were made to OIG, and that FHFA referred no matters involving potential misuse of purchase cards and/or travel cards to OIG. FHFA also reported to us that it took no administrative or disciplinary actions against its employees for card misuse during the assessment period.

One of FHFA's internal controls over its purchase card and travel card programs is the receipt of regular reports from its service provider, ARC, relating to ARC's ongoing monitoring of the use of those cards. For example, FHFA receives a monthly delinquency report from ARC that identifies delinquent travel card accounts—accounts 30 days or more past due. From the monthly delinquency reports received for the assessment period, we reviewed all cardholders' accounts (four) that were reported as more than 30 days delinquent in at least one monthly report to determine what action, if any, FHFA took in response. We found that FHFA notified all four cardholders in writing about the past due amounts and instructed them to remit payment in full as soon as possible; all four cardholders resolved their reported delinquencies.⁸ As of March 31, 2021, there were no travel card accounts that were reported as being past due.

Further, ARC conducts annual compliance reviews of FHFA's purchase card holders and the related transactions using a statistical sampling plan with a 90% confidence level and a precision error rate of 15% to 25%. We obtained ARC's compliance review for the period April 1, 2019, to March 31, 2020, the latest available. That review covered 157 purchase card transactions made by Agency cardholders during the period and reported 13 exceptions that there was no proof that mandatory sources were checked prior to purchase.⁹ Based on ARC's

⁷ Historically, FHFA's annual travel card transactions have been well below the \$10 million threshold requiring periodic audits of the program, which continued during the assessment period.

⁸ ARC's April 2020 delinquency report identified three accounts totaling \$1,667 that were more than 30 days past due. ARC's January 2021 delinquency report identified one account totaling \$33 that was more than 30 days past due. The four accounts were subsequently paid in full (in May 2020 those accounts identified in April 2020 were paid in full, and in February 2021 the one identified in January 2021 was paid in full).

⁹ FHFA is required to comply with Federal Acquisition Regulation-prescribed mandatory sources of supply and service (e.g., AbilityOne, GSA Advantage). Cardholders are required to check whether the supply or service to be acquired is available through a mandatory source before making the purchase from a non-mandatory source.

review, FHFA issued a revision to its Micro-Purchase Procedures and Supplemental Cardholder Guidance, dated January 15, 2021, incorporating mandatory source checks.

Results of the Most Recent Audit of FHFA’s Financial Statements by GAO

In its audit report on FHFA’s fiscal years 2020 and 2019 financial statements,¹⁰ GAO identified deficiencies in FHFA’s internal control over financial reporting that it did not consider to be material weaknesses or significant deficiencies.¹¹ Furthermore, GAO reported to us that these deficiencies were not related to FHFA’s purchase card and/or travel card programs. GAO also confirmed that its audit work included testing the adequacy of FHFA’s internal controls over its purchase card and travel card programs. For its fiscal year 2020 audit, GAO’s testing did not identify any deficiencies related to FHFA’s purchase card and/or travel card programs.

CONCLUSION.....

Based on our risk assessment, we concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA’s purchase card and travel card programs from April 1, 2020, through March 31, 2021, was low. Accordingly, we determined that an audit of the programs is not warranted for the assessment period. Pursuant to the Charge Card Act, we intend to regularly conduct risk assessments of FHFA’s purchase card and travel card programs to determine whether future audits are necessary.

FHFA COMMENTS.....

We provided FHFA an opportunity to respond to a draft of this report. In its management response, which is included as an appendix to this report, the Agency acknowledged our

¹⁰ GAO, *Financial Audit: Federal Housing Finance Agency’s Fiscal Years 2020 and 2019 Financial Statements* (Nov. 16, 2020) (GAO-21-201R) (online [here](#)). In that report, GAO rendered an unmodified opinion on FHFA’s financial statements and internal control over financial reporting for the period audited and stated that they found no reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

¹¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

conclusion that the risk of illegal, improper, or erroneous purchases and payments was low, and an audit of the purchase card and travel card programs would not be warranted for the period April 1, 2020, to March 31, 2021.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this risk assessment was to use the assessment for planning future audits of FHFA’s purchase card and/or travel card programs, as appropriate. The scope of the risk assessment focused on FHFA’s policies and procedures over its purchase card and travel card programs for the period April 1, 2020, to March 31, 2021.

We conducted this risk assessment in March 2021 through June 2021.

To address our risk assessment objective, we:

- Reviewed the Charge Card Act and related OMB requirements that apply to FHFA;
- Reviewed the FHFA Director’s Federal Managers’ Financial Integrity Act of 1982 Statement of Assurance for fiscal year 2020 for any mention of internal control matters related to FHFA’s purchase card and travel card programs;
- Determined whether FHFA developed, issued, and maintained its Charge Card Management Plan for the assessment period. We also obtained and reviewed the Plan for conformance with applicable requirements;
- Determined the dollar amounts and other relevant statistical information for FHFA’s purchase card and travel card programs for fiscal year 2020 and the assessment period;
- Interviewed FHFA’s Chief Financial Officer and other officials responsible for FHFA’s purchase card and travel card programs about (a) whether they had knowledge of any fraud or suspected fraud affecting the 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;
- Determined whether FHFA and/or ARC conducted compliance testing of FHFA’s purchase card and travel card programs. This included obtaining an understanding of the compliance testing programs in place during the assessment period;

- Reviewed the monthly reports regarding delinquent travel card accounts for the assessment period plus FHFA's follow-up actions for all cardholders (four) that were reported as more than 30 days delinquent;
- Reviewed the Agency's fiscal year 2020 risk profile for managing its government purchase card and travel card programs;
- Determined whether FHFA reported its government purchase card transaction information to the General Services Administration's Center for Charge Card Management;
- Reviewed the training materials FHFA provided to its staff for its government purchase card and travel card programs;
- Determined whether the Agency maintained narrative reporting for its own use and management of its government purchase card and travel card programs; and
- Reviewed GAO's report on its audit of FHFA's financial statements for fiscal year 2020 to determine whether any deficiencies were reported related to FHFA's purchase card and travel card programs. We also inquired of GAO's staff about the scope and results of any testing of the programs performed for the review period of FHFA's financial statements.

APPENDIX: FHFA MANAGEMENT RESPONSE.....



Federal Housing Finance Agency

MEMORANDUM

TO: Marla Freedman, Senior Audit Executive

FROM: Mark Kinsey, Chief Financial Officer MARK
KINSEY

Digitally signed by MARK
KINSEY
Date: 2021.06.15
12:00:54 -04'00'

SUBJECT: Draft Report: *Risk Assessment of FHFA's Government Purchase Card and Travel Card Programs April 1, 2020 – March 31, 2021*

DATE: June 15, 2021

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft audit report referenced above (Report). The Report presents the results of the OIG's risk assessment of the Federal Housing Finance Agency's (FHFA) purchase card and travel card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments.

I am pleased that the OIG concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA's purchase card and travel card programs from April 1, 2020, through March 31, 2021, was low. Because of this, the OIG determined that an audit of these programs is not warranted at this time.

I would like to acknowledge the dedicated OIG staff that worked with FHFA during the risk assessment.

If you have any questions relating to our response, please do not hesitate to call me at (202) 649-3780.

ADDITIONAL INFORMATION AND COPIES.....

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