

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**RISK ASSESSMENT OF THE
ADMINISTRATION FOR CHILDREN AND
FAMILIES' PURCHASE CARD PROGRAM
FOR FISCAL YEAR 2021**

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September 2023
A-04-22-06262

Office of Inspector General

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Report in Brief

Date: September 2023
Report No. A-04-22-06262



Why OIG Did This Audit

The Government Charge Card Abuse Prevention Act of 2012, P.L. No. 112-194, requires Offices of Inspectors General (OIGs) to conduct periodic risk assessments of agency purchase card programs. OIGs must report to the Office of Management and Budget (OMB) on agency progress in implementing recommendations made to address audit findings by January 31 of each year.

Our objective was to analyze the risk of illegal, improper, or erroneous purchases in the Administration for Children and Families (ACF) purchase card program and to determine whether ACF has designed and implemented controls and strategies to mitigate these potential risks.

How OIG Did This Audit

We developed six risk areas using the five components of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Enterprise Risk Management (ERM) – Integrated Framework and OMB Compliance Standards. Within these 6 risk areas, we identified 56 sub-risk areas. We developed a questionnaire to gather data from ACF, evaluated ACF's responses to this questionnaire, reviewed documents ACF provided, and conducted interviews with ACF management. We assessed the data gathered above and assigned a level of risk (low, moderate, high, or critical) to each sub-risk area. The risk factors were assigned a numerical score and calculations were run to arrive at an overall risk rating for the ACF purchase card program for fiscal year 2021.

Risk Assessment of the Administration for Children and Families' Purchase Card Program for Fiscal Year 2021

What OIG Found

Overall, we assessed the risk of illegal, improper, or erroneous purchases in the ACF purchase card program as moderate. Within the 6 risk areas related to ACF's purchase card program, we identified 56 sub-risk areas and rated 7 as low risk, 44 as moderate risk, and 5 as high risk.

The program was rated as moderate because it (1) did not provide adequate purchase card training to cardholders, (2) had not corrected prior identified deficiencies, and (3) did not maintain adequate documentation to support purchases. As a result, ACF paid for purchase card expenditures that may not have been allowable. Without proper monitoring of purchase card expenditures, ACF could continue to allow improper purchases.

Table: Risk Assessment of ACF's Purchase Card Program

| ● ACF Purchase Card Overall Risk: Moderate | |
|--|---|
| ● GOVERNANCE AND CULTURE Moderate | ● REVIEW AND REVISION Moderate |
| ● STRATEGY AND OBJECTIVE SETTING Moderate | ● INFORMATION, COMMUNICATION, AND REPORTING Moderate |
| ● PERFORMANCE Moderate | ● OMB COMPLIANCE STANDARDS Moderate |

What OIG Recommends and ACF Comments

We recommend that ACF develop mitigating controls and strategies to lower the high and moderate risks we identified.

In response to our draft report, ACF concurred with our recommendation. ACF stated that it takes its oversight responsibilities seriously and is fully committed to take the necessary actions to address the identified risks in our report.

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INTRODUCTION

WHY WE DID THIS AUDIT

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), P.L. No. 112-194, requires Offices of Inspectors General (OIGs) to conduct periodic risk assessments of agency purchase card programs, including convenience checks, combined integrated card programs, and travel card programs.¹ These assessments are intended to analyze the risks of illegal, improper, and erroneous purchases and payments. In addition, OIGs must report to the Office of Management and Budget (OMB) on agency progress in implementing recommendations made to address audit findings by January 31 of each year.

This report contains the results of our assessment of the Administration for Children and Families (ACF) purchase card program for fiscal year (FY) 2021.^{2,3} We selected ACF's purchase card program for review because (1) an assessment of this program has not been performed previously, and (2) ACF experienced operational challenges due to COVID-19 which increased volunteers assisting the Office of Refugee Resettlement (ORR) in providing care and related services to unaccompanied children.⁴

OBJECTIVE

Our objective was to analyze the risk of illegal, improper, or erroneous purchases in the ACF purchase card program and to determine whether ACF has designed and implemented controls and strategies to mitigate these potential risks.

¹ Convenience checks are used in the purchase card program to make purchases from merchants that do not accept purchase cards.

² ACF is 1 of the 12 operating divisions within the Department of Health and Human Services (HHS).

³ We also performed a risk assessment of ACF's travel card program, *Risk Assessment of the Administration for Children and Families' Travel Card Program for Fiscal Year 2021*, A-04-22-06263, issued August 31, 2023.

⁴ HHS Operating Divisions, including ACF, may obtain purchase card support from the Program Support Center (PSC). Because ACF obtained PSC support, ACF's purchase card program was included in a FY 2013 purchase card risk assessment of PSC. The risk assessment consisted of interviewing PSC management, reviewing documents, and evaluating PSC's responses to an OIG questionnaire. The result of this risk assessment was a low rating for the PSC purchase card program.

BACKGROUND

Administration for Children and Families

ACF's mission is to promote the economic and social well-being of families, children, individuals, and communities through a range of educational and supportive programs in partnership with States, tribes, and community organizations.

ACF program offices are specialized to support a variety of initiatives that are intended to empower families and individuals and improve access to services to create strong, healthy communities. These programs fund a variety of projects, including Native American language preservation, refugee resettlement, and child care.

ACF participates in the HHS Purchase Card Program to help accomplish its mission. ACF uses government purchase cards to buy equipment, supplies, goods, and services.

The Program Support Center (PSC), housed within HHS's Assistant Secretary for Administration's office, is a shared service provider for HHS. PSC supports ACF by assisting Approving Officials (AOs) and ACF purchase card holders and providing bank relationship management and compliance oversight.

Federal Government Purchase Card Program

The General Services Administration's (GSA) SmartPay Program is the world's largest commercial payment solution program, providing services to more than 560 Federal agencies, organizations, and Native American tribal governments.

GSA SmartPay enables authorized government employees to make purchases on behalf of the Federal Government in support of their organization's mission. Government account holders use the program to pay for items such as commercial goods and services.

Agencies using the GSA SmartPay card must establish procedures for use and control of the card that are consistent with Federal law and the terms and conditions of the current GSA SmartPay contract.

Federal Requirements

Federal agencies are required to comply with regulations and OMB guidance governing Federal grants. The Charge Card Act requires agencies to establish and maintain safeguards and internal controls for the charge card program.⁵ The charge card program includes purchase,

⁵ Section 2(a) of the Charge Card Act, P.L. 112-194 (enacted Oct. 5, 2012).

travel, integrated, and centrally billed government credit cards.⁶ The Charge Card Act also requires agencies to be aware of charge-card-related audit findings and to ensure that the findings are promptly resolved after completion of an audit.

OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, updated July 15, 2016, establishes an assessment framework based on the Government Accountability Office's *Standards for Internal Control in the Federal Government* (The Green Book) and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Enterprise Risk Management—Integrating with Strategy and Performance* (June 2017) (ERM) that managers must integrate into risk management and internal control functions.⁷

OMB Circular No. A-123 also provides guidance to Federal managers and defines management's responsibilities for enterprise risk management and internal control. The circular emphasizes that integrating and coordinating risk management and strong and effective internal controls into existing business activities are integral to managing an agency.

OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, supports OMB Circular No. A-123 by directing agencies to use the "Compliance Summary Matrix" to ensure the required safeguards and internal controls are in place. The matrix details the internal control requirements stated in the Charge Card Act.

Enterprise Risk Management

COSO developed the ERM. The ERM framework is a set of principles organized into five interrelated components:

- Governance and Culture;
- Strategy and Objective Setting;
- Performance;
- Review and Revision; and
- Information, Communication, and Reporting.

⁶ An integrated card is a combination of two or more business lines on a single card (e.g., purchase and travel).

⁷ COSO is a joint initiative of five private sector organizations dedicated to providing leadership through the development of frameworks and guidance on enterprise risk management (ERM), internal controls, and fraud deterrence designed to improve organizational performance and governance and to reduce the extent of fraud in organizations. The most recent version of the framework was updated June 2017.

ERM provides concepts, principles, and a common language that facilitate targeting the riskiest organizations and transactions to audit, study, and investigate.

HOW WE CONDUCTED THIS AUDIT

We performed a risk assessment of ACF's purchase card program for FY 2021.⁸ To assess ACF's ability to manage internal controls and risk in its purchase card program, we developed six risk areas using the five components of ERM and standards derived from the OMB Compliance Matrix. In this report, we refer to the sixth risk area as "OMB Compliance Standards." Within these 6 risk areas, we identified 56 sub-risk areas that include the following:

1. **Governance and Culture**—human resource practices, workplace ethics, employee behavior, orientation, ethics reporting, availability of policies, reinforce policies, communication channels, whistleblower, knowledge and skills, and organizational structure.
2. **Strategy and Objective Setting**—management responsiveness and risk tolerances.
3. **Performance**—incident identification, decentralized operations, past failures, inherent risk, technology usage, technology processes, risk assessment, risk response, corrective action plans, risk response (control activities), identifying misuse, and reliance on contractors.
4. **Review and Revision**—risk management evaluation, ongoing monitoring results (management considerations), and recurring monitoring.
5. **Information, Communication, and Reporting**—infrastructure, raw data conversion, timely information, levels of information, data availability, management communication, management involvement, and historical data.
6. **OMB Compliance Standards**—segregation of duties, transactions authorized, transaction classification, records access, document controls, cardholder record, training, cardholder policies, employee separation, adverse personnel action guidelines, safeguarding assets, convenience checks, reconciling, disputed charges, records retention, purchase card need, cost recovery, penalties, summary of violations, and summary of personnel adverse actions.

We developed a questionnaire to gather data from ACF related to these 56 sub-risk areas. We evaluated ACF's responses to this questionnaire, reviewed documents ACF provided, and conducted interviews with ACF management.

⁸ FY 2021 was the most recent data available when we began our annual risk assessment. We therefore examined procedures and analyzed purchase card transactions for that fiscal year.

We generated a list of ACF purchase card transactions using algorithms created in conjunction with the Council of the Inspector General on Integrity and Efficiency (CIGIE) in 2017. We judgmentally selected for review 50 high-risk purchase card transactions (such as transactions over the single purchase limit, split-purchase transaction, and transactions with sales tax).

Using the principles established in COSO's ERM and the OMB Compliance Standards, we assessed the data gathered above and assigned a level of risk (low, moderate, high, or critical) to each sub-risk area. The assigned level of risk took into account risk factors such as likelihood of occurrence and severity of impact. The risk factors were assigned a numerical score and calculations were run to arrive at an overall risk rating for the ACF purchase card program.⁹

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains our audit scope and methodology.

RESULTS OF AUDIT

Overall, we assessed the risk of illegal, improper, or erroneous purchases in the ACF purchase card program as moderate. Within the 6 risk areas related to ACF's purchase card program, we identified 56 sub-risk areas and rated 7 as low risk, 44 as moderate risk, and 5 as high risk (see table below). We include a detailed assessment of the sub-risk areas in Appendix B.

⁹ Our risk appetite for charge card programs is low. Therefore, if we rate an agency charge card program as low risk, our response is to accept the risk and take no further action. However, if we rate an agency charge card program as higher risk, we respond in the following ways: (1) if moderate risk, we consider conducting a follow-up risk assessment; and (2) if high risk, we consider conducting a targeted audit of the issues we identified. If critical risk, we notify HHS officials and our Office of Investigations concerning the possibility of fraud and request immediate action.

Table: Risk Assessment of ACF’s Purchase Card Program

|  ACF Purchase Card Risk: Moderate | |
|--|--|
|  Moderate: Governance and Culture Sub-Risks:  1 Low  8 Moderate  2 High | |
|  Moderate: Strategy and Objective Setting Sub-Risks:  1 Low  1 Moderate | |
|  Moderate: Performance Sub-Risks:  12 Moderate | |
|  Moderate: Review and Revision Sub-Risks:  3 Moderate | |
|  Moderate: Information, Communication and Reporting Sub-Risks:  1 Low  7 Moderate | |
|  Moderate: OMB Compliance Standards Sub-Risks:  4 Low  13 Moderate  3 High | |

GOVERNANCE AND CULTURE



We rated the Governance and Culture risk area as moderate. Governance sets the organization’s tone, reinforcing the importance of, and establishing oversight responsibilities for ERM. Culture pertains to ethical values, desired behaviors, and an understanding of risk within the entity.

Of the 11 sub-risk areas within Governance and Culture, we rated 1 as low risk, 8 as moderate risk, and 2 as high risk.

We rated organizational structure as low risk because ACF officials provided documentation that illustrates the agency’s structure and defines key areas of authority and responsibility and appropriate lines of reporting.

We rated workplace ethics, employee behavior, orientation, ethics reporting, availability of policies, reinforce policies, communication channels, and whistleblower as moderate risk. Some examples of why we rated these sub-risks as moderate include:

- ACF relied on the HHS Purchase Card Guide but did not have any agency specific policies in place at the time of our review. CIGIE’s 2018 *Report on the Government Purchase Card Initiative* identified that government purchase card programs needed additional

policies and procedures to help reduce the risk of improper transactions.¹⁰ As a result of this CIGIE report, ACF drafted its purchase card manual which includes policy updates to internal controls, standard operating procedures, and communication to ACF stakeholders. At the time of our review, these agency-focused policies were still in draft.

- ACF relied on PSC to ensure that purchase cardholder’s training records are up-to-date. However, training records for FY 2021 were incomplete; therefore, we have no assurance PSC is fully performing its duties for ACF.
- During a surge of unaccompanied children at the U.S.-Mexico border, ACF cardholders did not follow existing policies and procedures regarding the use of purchase cards. Specifically, one cardholder inappropriately charged approximately \$14,000 in travel-related expenses. This cardholder stated they were following management direction when they used their purchase card for these expenses. However, the cardholder’s management did not receive the proper approval in order to authorize the cardholder to make these purchases. In addition, the cardholder was instructed to stop using the purchase card but continued to do so. As a result, the cardholder was removed from the purchase card program.

We rated human resources practices and knowledge and skills as high risk. Some examples of why we rated these sub-risks as high include:

- Some of ACF’s cardholders and AOs did not receive or could not provide support that they completed mandatory trainings.
- Although one cardholder’s card was closed for misuse in FY 2021, ACF took no further disciplinary action against the cardholder, such as a reprimand, counseling, or salary offsets.

STRATEGY AND OBJECTIVE-SETTING



We rated the Strategy and Objective-Setting risk area as moderate. Enterprise risk management, strategy, and objective-setting work together in the strategic-planning process. Business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.

¹⁰ CIGIE’s *Report on the Government Purchase Card Initiative* (July 2018) details the findings of 20 OIG reviews of high-risk purchase card transactions. HHS was 1 of 20 OIGs that participated in this review. Although the OIGs did not find evidence of fraudulent behavior, they found weaknesses in certain areas, such as policy, monitoring, and training. Specifically, the report stated that agencies’ cardholders need additional training in properly using their cards, that agencies need to develop additional policies and procedures for the cards, and that approving officials need to better review transactions. This report is available at [https://www.ignet.gov/sites/default/files/files/CIGIEReport_on_the_Government_Purchase_Card_Initiative\(July2018\).pdf](https://www.ignet.gov/sites/default/files/files/CIGIEReport_on_the_Government_Purchase_Card_Initiative(July2018).pdf). Accessed June 5, 2023.

Of the two sub-risk areas within Strategy and Objective -Setting, we rated one as low risk and one as moderate risk.

We rated risk tolerances as low risk because all ACF purchase cards have the same purchase restrictions. Each of these cardholders has a single-purchase limit set at \$10,000 or less, which complies with the Federal acquisition regulation's micro-purchase limit.

We rated management responsiveness as moderate risk. ACF was responsive to our requests for information during this audit and showed evidence that it works to improve the agency's purchase card program based on the external work of others. For example, as a result of CIGIE's 2018 *Report on the Government Purchase Card Initiative*, ACF began to create its own agency specific purchase card manual. However, this manual is still in draft and ACF officials did not provide any date when the guide would be finalized.

PERFORMANCE



We rated the Performance risk area as moderate. The Performance risk area includes identifying and assessing risks that may impact the achievement of strategy and business objectives. Risks should be prioritized by severity in the context of risk appetite. The organization then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders.

Of the 12 sub-risk areas within Performance, we rated each as moderate risk.

We rated incident identification, decentralized operations, past failures, inherent risk, technology usage, technology processes, risk assessment, risk response, corrective action plans, risk response (control activities), identifying misuse, and reliance on contractors as moderate risk.

Some examples of why we rated these sub-risks as moderate include the following:

- ACF focused its agency FY 2021 internal control program on key control testing, which included purchase cards among other ACF programs, that posed the most risk to the agency and the remediation of known deficiencies from prior years. However, a number of corrective actions from these known deficiencies have not been implemented.
- Managing Accounting Credit Card System (MACCS) reconciliation testing was listed as a deficiency on ACF's 2021 Federal Managers' Financial Integrity Act (FMFIA) Corrective Action Plan. ACF found that cardholders do not always save their monthly reconciliations. The corrective actions to remedy this deficiency have not been completed.

- During our transaction testing, we found that ACF sometimes paid state sales tax on items (Federal agencies are generally exempt from sales tax) and did not have adequate approval documentation for several purchase card transactions, despite policies and procedures that explain the tax-exempt status of the agency and delineate the required approval records.
- ACF relied on its Agency/Organization Program Coordinator (A/OPC) at PSC to review all new AOs or cardholder’s compliance with purchase card procedures within 90 days of their appointments. PSC officials stated that not all new AOs and cardholders received reviews within their first 90 days because of staffing shortages. Therefore, these reviews are not taking place in a timely manner.

REVIEW AND REVISION



MODERATE

We rated the Review and Revision risk area as moderate. By “reviewing” the performance of entities within an organization, the organization considers how well the ERM components function over time and what “revisions” are needed as changes occur.

Of the three sub-risk areas within Review and Revision, we rated each as moderate risk.

We rated risk management evaluation, ongoing monitoring results (management considerations), and recurring monitoring as moderate risk. Some examples of why we rated these sub-risks as moderate include the following:

- As a result of ACF’s internal assessment, ACF reported that cardholders did not always retain their monthly reconciliations between the bank statement and their monthly purchases. Our transaction testing further supported this deficiency because we identified additional transactions where no monthly reconciliations were provided.
- ACF did not initiate reviews of cardholders who frequently purchase from the same merchant. However, ACF stated they will institute a process to review frequent purchases from the same merchant.
- No formal training was provided to cardholders and AOs on how to record and approve transactions using the MACCs system.

INFORMATION, COMMUNICATION, AND REPORTING



MODERATE

We rated the Information, Communication, and Reporting risk area as moderate. According to the ERM, an organization should have a continual process of obtaining and sharing necessary information from both internal and external sources across the organization.

Of the eight sub-risk areas within Information, Communication, and Reporting, we rated one as low risk and seven as moderate risk.

We rated timely information as low risk because the MACCs system provides purchase card transaction information in a form and timeframe that is actionable and readily usable.

We rated information infrastructure, raw data conversions, levels of information, data availability, management communication, management involvement, and historical data as moderate. Some examples of why we rated these sub-risks as moderate include the following:

- ACF relied on PSC to provide training and advice to cardholders and AOs to ensure that purchase cardholders' training records are complete. However, training records for FY 2021 were incomplete. Therefore, we have no assurance PSC is fully performing its duties for ACF.
- ACF stated that the MACCs system does not have the ability to compare current data to historical data or to create reports from historical data to identify purchase anomalies.
- ACF relied on PSC to perform spot checks on vendor activities to identify duplicate charges or possible split purchases.

OMB COMPLIANCE STANDARDS



We rated the OMB Compliance Standards risk area as moderate. The OMB Compliance Standards are designed to assist agencies in employing an effective charge card internal control program that is in balance with the need to maintain card flexibility and ease of use in support of agency mission activities.

Of the 20 sub-risk areas within OMB Compliance Standards, we rated 4 as low risk, 13 as moderate risk, and 3 as high risk.

We rated cardholder record, cardholder policies, summary of violations, and summary of personnel adverse actions as low risk. Some examples of why we rated these sub-risk areas as low include the following:

- The A/OPC maintained a record of purchase card misconduct and provided a detailed review of why one card was closed for misuse during FY 2021.
- ACF provided a listing of all cardholders and their corresponding purchase card spending limit.

We rated segregation of duties, transactions authorized, transaction classification, records access, document controls, adverse personnel action guidelines, safeguarding assets,

convenience checks, disputed charges, records retention, purchase card need, cost recovery, and penalties as moderate risk. Some examples of why we rated these sub-risk areas as moderate include the following:

- As a result of cardholder misuse, one cardholder's purchase card was closed in FY 2021. However, ACF took no further disciplinary action such as reprimands, counseling, or salary offsets against the cardholder.
- Both the FMFIA Corrective Action Plan and our transaction testing identified deficiencies with ACF's record retention of purchase card documents. The deficiencies we identified include not maintaining monthly reconciliations, not obtaining supervisory approval before a purchase is made, and not comparing invoices to purchase orders when a purchase is received.
- In FY 2021, ACF issued an internal control memo that stated, "For consecutive fiscal years, ACF performed an internal control assessment over major transaction cycles according to OMB A-123 requirements....Based on prior year audit findings, results of internal assessments, risk assessments, and other known deficiencies, ACF decided to focus the FY 2021 internal control program on key control evaluation over major transaction cycles that pose the most risk to the agency, and the remediation of known deficiencies from prior years." ACF only provided the results of its testing for one key control and a corrective action plan for a second key control. According to its own corrective action plan, no remediation action has occurred.

We rated training, employee separation, and reconciling as high risk. Some examples of why we rated these sub-risk areas as high include the following:

- ACF did not adequately train staff on the exemption of sales tax. Our testing of high-risk transactions supports this. We identified that some cardholders paid sales tax on purchase card transactions.
- For FY 2021, ACF was unable to provide annually required purchase card training documentation for the majority of cardholders. Therefore, cardholders either did not receive the required training for FY 2021 or the information is missing.
- When queried whether ACF immediately invalidated the purchase cards for individuals who leave the agency, ACF officials acknowledged this as a deficiency. Specifically, ACF officials stated that it does not routinely inform PSC when individuals leave the agency, which is necessary to immediately close their purchase cards.
- ACF created a report of deficiencies and material weaknesses. One of the deficiencies it identified was that cardholders did not save their monthly reconciliations between the

purchase card transactions and the bank statement. Therefore, reconciliations could not be obtained. Our transaction testing supported this because ACF could not always provide the record of cardholder reconciliation and AO approvals.

CONCLUSION

Within the 6 risk areas related to ACF's purchase card program, we identified 56 sub-risk areas, rating 7 as low risk, 44 as moderate risk, and 5 as high risk. Overall, we assessed the ACF purchase card program as moderate risk and we will consider conducting a follow-up risk assessment in the future.

The program was rated as moderate because it (1) did not provide adequate purchase card training to cardholders, (2) had not corrected prior identified deficiencies, and (3) did not maintain adequate documentation to support purchases. As a result, ACF paid for purchase card expenditures that may not have been allowable. Without proper monitoring of purchase card expenditures, ACF could continue to allow improper purchases.

RECOMMENDATION

We recommend that ACF develop mitigating controls and strategies to lower the high and moderate risks we identified.

ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS

In response to our draft report, ACF concurred with our recommendation. ACF stated that it takes its oversight responsibilities seriously and is fully committed to take the necessary actions to address the identified risks in our report. ACF's comments are included in their entirety as Appendix C.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We performed a risk assessment of HHS's charge card program for FY 2021, the most recent data available when we began our annual risk assessment. To assess HHS's ability to manage internal controls and risk for its charge card program, we used the ERM, which was developed by COSO. We applied COSO's ERM framework and standards from the OMB Compliance Matrix to identify 6 risk areas and 56 sub-risk areas.

Using the principles established in COSO's ERM and the OMB Compliance Matrix, we conducted a risk assessment of the areas that we identified and assigned a level of risk (low, moderate, high, or critical) to each sub-risk area based on our review of documents and responses from ACF.

We focused our review on ACF's internal controls, including policies and procedures, related to purchase cards and purchase transaction testing.

We performed our audit from March 2022 to May 2023.

METHODOLOGY

To accomplish our objective, we took the following steps:

- reviewed applicable Federal laws, policies, and guidance;
- developed a risk assessment questionnaire, reviewed ACF's responses, and analyzed these responses in the context of the COSO framework;
- judgmentally selected for review 50 high-risk purchase card transactions (such as transactions over the single purchase limit, split-purchase transaction, and transactions with sales tax);
- held discussions with ACF officials about purchase cards and reviewed ACF's policies;
- reviewed the results of ACF's internal monitoring of its purchase card program;
- conducted limited purchase card transaction testing to verify the effectiveness of internal controls;
- conducted a risk assessment of the risk areas and sub-risk areas that we identified and assigned a level of risk to each sub-risk area;

- assessed mitigating processes and strategies for identified risks; and
- discussed the results with ACF officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: ACF's PURCHASE CARD RISK AND SUB-RISK AREAS

| RISK | ● Governance and Culture | ● Strategy and Objective Setting | ● Performance | ● Review and Revision | ● Information, Communication and Reporting | ● OMB Compliance Standards |
|--|---|--|---|--|---|---|
| SUB-RISK | <ul style="list-style-type: none"> ● Organizational Structure ● Workplace Ethics ● Employee Behavior ● Orientation ● Ethics Reporting ● Availability of Policies ● Reinforce Policies ● Communication Channels ● Whistleblower ● Human Resource Practices ● Knowledge and Skills | <ul style="list-style-type: none"> ● Risk Tolerances ● Management Responsiveness | <ul style="list-style-type: none"> ● Incident Identification ● Decentralized Operations ● Past Failures ● Inherent Risk ● Technology Usage ● Technology Processes ● Risk Assessment ● Risk Response ● Corrective Action Plans ● Risk Response (Control Activities) ● Identifying Misuse ● Reliance on Contractors | <ul style="list-style-type: none"> ● Risk Management Evaluation ● Ongoing Monitoring Results (Management Considerations) ● Recurring Monitoring | <ul style="list-style-type: none"> ● Timely Information ● Information Infrastructure ● Raw Data Conversions ● Levels of information ● Data Availability ● Management Communication ● Management Involvement ● Historical Data | <ul style="list-style-type: none"> ● Cardholder Record ● Cardholder Policies ● Summary of Violations ● Summary of Personnel Adverse Actions ● Segregation of Duties ● Transactions Authorized ● Transaction Classification ● Records Access ● Document Controls ● Adverse Personnel Action Guidelines ● Safeguarding Assets ● Convenience Checks ● Disputed Charges ● Records Retention ● Purchase Card Need ● Cost Recovery ● Penalties ● Training ● Employee Separation ● Reconciling |
| <p>LEVELS OF RISK</p> <ul style="list-style-type: none"> ● LOW ● MODERATE ● HIGH ● CRITICAL | | | | | | |



ADMINISTRATION FOR
CHILDREN & FAMILIES

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August 31, 2023

Amy J. Frontz
Deputy Inspector General for Audit Services
U.S. Department of Health and Human Services
330 Independence Avenue, SW
Washington, DC 20201

Dear Amy Frontz:

The Administration for Children and Families (ACF) appreciates the opportunity to respond to the Office of Inspector General (OIG) **draft** report titled, *Risk Assessment of the Administration for Children and Families' Purchase Card Program for Fiscal Year 2021, (A-04-22-06262)*. The following is ACF's response to the OIG's recommendation:

Recommendation 1:

We recommend that ACF develop mitigating controls and strategies to lower the high and moderate risks we identified.

Response:

ACF concurs with this recommendation.

We take our oversight responsibilities seriously and understand the significance of addressing potential risks. We are fully committed to take the necessary actions to address the identified risks.

Again, thank you for the opportunity to review this draft report. For follow-up inquiries, I may be reached at (202) 401-9379.

Sincerely,

S. Benita Turner

S. Benita Turner,
Director, Enterprise Risk Management
Administration for Children and Families

Digitally signed by S. Benita
Turner
Date: 2023.08.31 17:46:15
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