



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

## MEMORANDUM

**DATE:** April 1, 2020

**TO:** Kathy Kraninger  
Director  
Bureau of Consumer Financial Protection

**FROM:** Peter Sheridan *Peter Sheridan*  
Associate Inspector General for Information Technology

**SUBJECT:** *Fiscal Year 2019 Risk Assessment of the Bureau’s Government Travel Card Program*

### Executive Summary

We have conducted a risk assessment of the Bureau of Consumer Financial Protection’s travel card program to determine the necessary frequency and scope of travel card audits. The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the Bureau’s travel card program is *medium*.

Although a risk level of *medium* means that illegal, improper, or erroneous use is likely to occur, such an occurrence would be expected to have a limited effect on current operations and long-term objectives. Nevertheless, the Bureau’s Office of Travel and Relocation should continue to take appropriate actions to ensure proper oversight of its program. We completed an audit of the Bureau’s travel card program in September 2018.<sup>1</sup> As a result, we will not include an audit of the travel card program in our 2020 audit plan.

### Background

In fiscal year 2019, there were 48,818 purchases on individually billed Bureau government travel cards totaling approximately \$11.1 million. The Government Charge Card Abuse Prevention Act of 2012 requires the inspector general of each executive agency with more than \$10 million in travel card spending to conduct periodic assessments or audits of travel card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments. In September 2013, the Office of

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<sup>1</sup> Office of Inspector General, *The Bureau’s Travel Card Program Controls Are Generally Effective but Could Be Further Strengthened*, [OIG Report 2018-FMIC-C-014](#), September 26, 2018.

Management and Budget (OMB) issued OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, which states that inspectors general will conduct annual risk assessments of agency travel card programs to analyze the risks of illegal, improper, or erroneous purchases. OMB directed that these risk assessments be used to determine the necessary scope, frequency, and number of audits or reviews of the travel card program.

The Bureau participates in the U.S. General Services Administration's SmartPay 3 program through a task order with the U.S. Department of the Treasury's master contract with Citibank.<sup>2</sup> Within Treasury, the Bureau of the Fiscal Service's Administrative Resource Center provides travel card administrative services and acts as the liaison between the Bureau and Citibank.

The Bureau's Office of Travel and Relocation is responsible for operating the travel card program and ensuring that the program complies with applicable laws, regulations, policies, and procedures, including the Bureau's *Policy on Travel Cards* and *Travel Desk Procedures*, which was finalized in December 2017.

## Objective, Scope, and Methodology

Our objective was to analyze the risks of illegal, improper, or erroneous purchases and payments associated with the Bureau's travel card program in order to determine an overall risk level for the program. Our scope included travel card purchases during fiscal year 2019 (October 1, 2018–September 30, 2019).

To conduct our risk assessment, we obtained and reviewed relevant Bureau policies and procedures and the results of prior audits and reviews of the program, including our September 2018 audit report on the travel card program. In addition, we surveyed applicable Bureau officials and the responsible agency program coordinator to identify (1) risks that could prevent their offices from achieving its goals and (2) controls to mitigate these risks.

We used five risk categories in our risk assessment—financial, strategic, operational, compliance, and reputational—as defined below:

- **Financial**—the risk that an event related to the travel card could occur that has a significant financial effect on the Bureau's or the Office of Travel and Relocation's budget process
- **Strategic**—the risk that an event related to the travel card could impede the Bureau's or the Office of Travel and Relocation's ability to achieve its mission and strategic objectives
- **Operational**—the risk that an event related to the travel card could be negatively affected by inadequate, ineffective, or failed business processes, human capital, or technology and information management
- **Compliance**—the risk that an event related to the travel card could hamper the travel program's ability to comply with applicable laws, regulations, or internal policies and procedures

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<sup>2</sup> The U.S. General Services Administration's SmartPay 2 contract ended on May 26, 2019. The successor program, SmartPay 3, was implemented on May 26, 2019.

- **Reputational**—the risk that an internal or external event related to the travel card could diminish the Office of Travel and Relocation’s or the Bureau’s stature, credibility, or effectiveness

The Office of Travel and Relocation identified inherent risks by relevant risk category and assessed the risks’ impact and likelihood. *Impact* is the magnitude of deficiency that could result from the risk, and *likelihood* is the level of possibility that a risk will occur. Our office then assessed the impact and likelihood of risks by risk category, considering the effect of internal controls and other relevant documentation. We assigned a level of risk using the criteria in table 1. We then combined the impact and likelihood of individual risk category levels to arrive at an average overall risk level.

**Table 1. Definitions of Risk Impact and Risk Likelihood, by Level**

Level	Risk impact definition	Risk likelihood definition
High	Significant impact on current operations and long-term objectives	Highly likely to occur
Medium	Limited impact on current operations and long-term objectives	Likely to occur
Low	Minimal impact on current operations and long-term objectives	Unlikely to occur

Source: OIG adaptation of tables from the Federal Reserve Bank of Cleveland’s *Toolkit for Functional Risk Assessments*, November 2009.

In addition to the risk assessment toolkit, we developed and ran algorithms for data analysis designed to test the fiscal year 2019 universe of 62,508 Citibank transactions for potentially illegal, improper, or erroneous transactions. Specifically, we tested for transactions that occurred in the following categories:

- **Prohibited merchant category codes (MCCs)**—We compared all transactions to the Bureau’s allowable MCC list to identify transactions with MCCs that are not on the allowable list.
- **Non-Bureau employees**—We compared all transactions to a list of active and separated Bureau employees to identify any transactions made by a cardholder who was neither a current nor a former Bureau employee.
- **Separated Bureau employees**—We compared all transactions to a list of separated Bureau employees to determine whether transactions occurred after the employee left the Bureau.

Lastly, we assessed the Office of Travel and Relocation’s process for monitoring delinquent accounts to ensure proper follow-up was conducted. We randomly sampled 33 cardholders who were identified in Citibank’s Delinquent Account Report as 30 or more days past due. We selected 3 cardholders each month during fiscal year 2019, beginning with the second month. We obtained and reviewed the documentation to determine whether the Office of Travel and Relocation monitored delinquent accounts pursuant to the *Policy on Travel Cards* and *Travel Desk Procedures*.

We conducted our risk assessment work from October 2019 through March 2020.

## Results of Risk Assessment

Table 2 shows each risk category's level for impact and likelihood for the travel card program. The average overall risk level determines the final risk assessment for the Bureau's travel card program.

**Table 2. Impact, Likelihood, and Overall Risk Level, by Risk Category**

Risk category	Impact	Likelihood	Overall risk level
Financial	Medium	Low	Low
Strategic	Low	Low	Low
Operational	Low	Low	Low
Compliance	Medium	Medium	Medium
Reputational	Medium	Medium	Medium
<b>Average risk level</b>	<b>Low</b>	<b>Low</b>	<b>Low</b>

Source: OIG analysis.

## Results of Data Analytics Testing

Our testing of 62,508 Citibank transactions for potentially illegal, improper, or erroneous transactions identified the following:

- **Transactions on unallowable MCCs**—We identified 5 transactions that occurred on blocked MCCs. The Office of Travel and Relocation had also already detected these 5 transactions and provided us with documentation supporting its authorization of them.
- **Transactions by non-Bureau employees**—We did not identify any transactions made by a cardholder who was neither a current nor a former Bureau employee.
- **Transactions after separation**—We identified 257 transaction made by 12 individuals after their separation. The Office of Travel and Relocation confirmed that postseparation adjustments by Citibank were required to close accounts for 10 separated cardholders. The remaining 2 individuals were active employees and cardholders whose accounts were incorrectly registered under other Bureau employees' identification numbers.
- **Monitoring of delinquent accounts**—We randomly sampled 33 cardholders who were identified in Citibank's Delinquent Account Report as 30 or more days past due, or 3 cardholders per month. The Office of Travel and Relocation provided evidence that it timely notified all the past-due cardholders that we randomly selected, as required by the *Travel Desk Procedures*. However, the

notices for accounts that were 30 days past due failed to include supervisors, as required by the *Travel Desk Procedures*.

## Conclusion

The results of the inherent risk, assessed by the Office of Travel and Relocation, and the residual risk, identified by data analytics testing, lead us to determine that the risk of illegal, improper, or erroneous use in the Bureau's travel card program is *medium*. Although a risk level of *medium* means that illegal, improper, or erroneous use is likely to occur, such an occurrence would likely have a limited effect on the Bureau's current operations and long-term objectives. Nonetheless, the Office of Travel and Relocation should continue to take appropriate actions to ensure proper oversight of its program.

This report is provided for informational purposes, and a response is not required. We appreciate the cooperation and assistance provided by your staff during this risk assessment. If you have any questions, please contact Victor Calderon, OIG manager, data analytics, or me.

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