



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

February 1, 2017

MEMORANDUM

TO: Richard Cordray
Director
Consumer Financial Protection Bureau

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

SUBJECT: Fiscal Year 2016 Risk Assessment of the CFPB's Travel Card Program

Executive Summary

The Office of Inspector General (OIG) has conducted a risk assessment of the Consumer Financial Protection Bureau's (CFPB) travel card program to determine the 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 CFPB's travel card program is *medium*.

Although a risk level of *medium* means that the risk is likely to occur, such risk would be expected to have a limited impact on current operations and long-term objectives. In addition, we completed an audit of the travel card program in June 2016.¹ As a result, we will not include an audit of the travel card program in the OIG's 2017 annual audit plan. Nevertheless, the Office of Travel and Relocation should continue to take appropriate actions to ensure proper oversight of its program.

Background

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 audits or reviews of travel card programs to analyze the risks of illegal, improper, or erroneous purchases and payments. In September 2013, the Office of Management and Budget (OMB)

1. Office of Inspector General, *The CFPB Should Continue to Enhance Controls for Its Government Travel Card Program*, [OIG Report 2016-FMIC-C-009](#), June 27, 2016.

issued OMB Memorandum M-13-21, *Implementation of 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 risk 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 CFPB participates in the U.S. General Services Administration's SmartPay2 program through a task order with the U.S. Department of the Treasury's master contract with Citibank. Within the U.S. Department of the Treasury, the Bureau of the Fiscal Service's Administrative Resource Center provides travel card administrative services and acts as the liaison between the CFPB and Citibank.

The CFPB's Office of Travel and Relocation is responsible for managing the operation of the travel card program and ensuring that the program complies with applicable laws, regulations, policies, and procedures. There were 68,606 individually billed account purchases on CFPB government travel cards in fiscal year 2016, totaling approximately \$13.5 million.

Objective, Scope, and Methodology

Our objective was to analyze the risks of illegal, improper, or erroneous purchases and payments associated with the CFPB's travel card program in order to determine an overall risk level for the program. Our scope included travel card purchases from October 1, 2015, through September 30, 2016.

To conduct our risk assessment, we obtained and reviewed relevant policies and procedures and the results of prior audits and reviews of the program, including our June 2016 audit report on the travel card program. Additionally, we surveyed applicable CFPB officials to identify risks that could prevent their offices from achieving goals, as well as controls implemented to mitigate those 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 CFPB'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 CFPB'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 card program's ability to comply with applicable laws, regulations, or internal policies and procedures
- **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 CFPB's stature, credibility, or effectiveness

The CFPB's Office of Travel and Relocation identified inherent risks by relevant risk category and assessed the risks' impact and likelihood.² *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, the results of prior audits, 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.

We conducted our risk assessment work from August 2016 through December 2016.

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 CFPB's travel card program.

2. The Office of Travel and Relocation rated some risks as *n.a.*, or no risk, for that particular category; we did not include those ratings in our calculations.

Table 2: Impact, Likelihood, and Overall Risk Level, by Risk Category

Risk category	Impact	Likelihood	Overall risk level
Financial	Low	Medium	Medium
Strategic	Medium	Medium	Medium
Operational	Low	Low	Low
Compliance	Medium	Medium	Medium
Reputational	High ^a	High ^a	High ^a
Average risk level	Medium	Medium	Medium

Source: OIG analysis.

^aOIG Report 2016-FMIC-C-009, *The CFPB Should Continue to Enhance Controls for Its Government Travel Card Program*, dated June 27, 2016, identified a variety of control and process weaknesses. Such weaknesses, if exploited, could lead to significant reputational risk.

Conclusion

The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the CFPB's travel card program is *medium*. Although a risk level of *medium* means that the risk is likely to occur, such risk would likely have a limited effect on the CFPB's current operations and long-term objectives. Further, we completed an audit of the CFPB's travel card program in June 2016. Therefore, we will not include an audit of the travel card program in our 2017 annual audit plan. 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. The OIG appreciates the cooperation and assistance provided by your staff during this risk assessment. If you have any questions, please contact Brent Melson, Senior OIG Manager for Information Technology, or me.

cc: Sartaj Alag, Chief Operating Officer and Associate Director, Division of Operations
Elizabeth Reilly, Chief Financial Officer and Assistant Director, Office of the Chief Financial Officer