



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
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OIG-CA-20-031

**MEMORANDUM FOR BEN SCAGGS,  
EXECUTIVE DIRECTOR**

**FROM:** Deborah L. Harker /s/  
Assistant Inspector General for Audit

**SUBJECT:** Risk Assessment of the Gulf Coast Ecosystem  
Restoration Council's Charge Card and Convenience  
Check Program

This memorandum presents the results of our risk assessment of the Gulf Coast Ecosystem Restoration Council's (Council) charge card (collectively, purchase cards, travel cards, and centrally billed accounts)<sup>1</sup> and convenience check program. The objective of our assessment was to identify and analyze the risk of illegal, improper, or erroneous purchases and payments in order to determine the scope, frequency, and number of periodic audits of charge card and/or convenience check transactions.

The scope of this risk assessment covered Council's charge card and convenience check program for third quarter (Q3) fiscal year (FY) 2018 through FY 2019. Among other things, we reviewed applicable laws, regulations, and Council's Charge Card Management Plan(s) (CCMP), as well as, policies and procedures and evidence of training on charge card and convenience check use. As part of our risk assessment, we analyzed all transactions for the period within scope that comprised (1) 342 purchase card transactions totaling \$100,098, and (2) 1,639 travel card transactions totaling \$273,942. There were no convenience checks written during the period within scope. We analyzed these transactions to identify anomalies and/or potential prohibited purchases that would pose a risk of potential illegal, improper, or erroneous purchases and payments (i.e. duplicate transactions, personal use). See below for more detail of our objective, scope, and methodology.

In brief, we assessed the overall risk of illegal, improper, or erroneous purchases and payments in Council's charge card program as low and convenience check

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<sup>1</sup> Centrally billed accounts are part of Council's purchase cards and travel cards. Council did not have integrated cards, which are combined purchase and travel cards in a single account.

program as very low. As such, we determined that an audit of Council's charge card and convenience check program is not necessary at this time.

## Background

Council uses charge cards to procure goods and services and is responsible for maintaining internal control that reduces the risk of fraud, waste, and misuse associated with charge cards. The *Government Charge Card Abuse Prevention Act of 2012*<sup>2</sup> (Charge Card Act) requires all executive branch agencies to establish and maintain safeguards and internal control over charge cards and convenience checks. The Charge Card Act also requires Inspectors General (IG) to conduct periodic risk assessments of agency charge card and/or convenience check programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments to determine the scope, frequency, and number of periodic audits of the programs.

The Office of Management and Budget's (OMB) guidance in memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, requires, among other things, that IG risk assessments be completed on an annual basis, which is applicable to FY 2019 assessments. OMB M-13-21 was rescinded by OMB Circular No. A-123, Appendix B Revised, *A Risk Management Framework for Government Charge Card Programs*, (effective August 27, 2019) that consolidates current government-wide charge card program management requirements and guidance issued by OMB, the General Services Administration, the Government Accountability Office, the Department of the Treasury, and other Federal agencies. OMB No. A-123 rescinded the requirement for annual IG risk assessments, among other things. Going forward, we plan to conduct risk assessments of the Council's charge card and convenience check program on a biennial basis given the Council's risks have been assessed as low to very low for the charge card and convenience checks, respectively, over the previous assessment period<sup>3</sup> and the period within scope of this risk assessment.

Council's CCMP outlines the policies and procedures that are critical to managing its charge card and convenience check program. Council has an Interagency Agreement with the Department of the Treasury's Bureau of the Fiscal Service Administrative Resource Center (ARC) to process charge card payments; provide cardholder training; and perform post-payment reviews.

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<sup>2</sup> Public Law No. 112-194 (October 5, 2012).

<sup>3</sup> OIG, *Risk Assessment of the Gulf Coast Ecosystem Restoration Council's Charge Card and Convenience Check Program* (OIG-CA-19-023; September 12, 2019).

### Council's Charge Card and Convenience Check Program

From Q3 FY 2018 through FY 2019, Council had 2 active purchase card accounts with 342 reported transactions totaling \$100,098. During the period within scope, there were between 18 and 21 active travel card accounts with 1,639 reported transactions totaling \$273,942. In addition, one employee had the authority to use convenience checks. No checks were issued during the period within scope. **Table 1** presents the purchase card, travel card, and convenience check transactions.

**Table 1. Purchase Card, Travel Card, and Convenience Check Transactions (Q3 FY 2018 through FY 2019)**

		FY 2018 Q3–Q4	FY 2019	Total
<b>Purchase Card</b>	Total Amount	\$22,592	\$77,506	\$100,098
	Number of Transactions	84	258	342
	Number of Cardholders	2	2	
<b>Travel Card</b>	Total Amount	\$83,773	\$190,169	\$273,942
	Number of Transactions	552	1,087	1,639
	Number of Cardholders	18	21	
<b>Convenience Checks</b>	Total Amount	\$0	\$0	\$0
	Number of Transactions	0	0	0
	Number of Authorized Check Users	1	1	

Source: Citibank, N.A.

### Risk Assessment Approach

To conduct our risk assessment, we developed a risk assessment methodology based on the internal control assessment framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).<sup>4</sup> We identified key control objectives in each charge card and convenience check program using the criteria identified in the Charge Card Act, OMB Circular No. A-123, Appendix B, and Council's CCMP. Additional criteria was identified in the Federal Travel Regulation<sup>5</sup> for control objectives specific to travel cards.

<sup>4</sup> To develop the risk assessment methodology, we followed an industry standard presented in a research paper commissioned by the COSO, "Risk Assessment in Practice," *Deloitte & Touche, LLP* (October 2012).

<sup>5</sup> *Federal Travel Regulation* (41 CFR 300-301).

We assigned a risk rating to each control objective based on (1) the impact that a risk event may pose to the charge card and convenience check program, and (2) the likelihood that the risk event may occur. The combined risks of impact and likelihood determines the overall risk to the charge card and convenience check program. **Table 2** provides the heat map of impact and likelihood levels and the weight factors.

**Table 2. Heat Map of Impact and Likelihood Risk Levels**

		IMPACT				
		INCIDENTAL	MINOR	MODERATE	MAJOR	EXTREME
LIKELIHOOD	ALMOST CERTAIN (90% ~ 100%)	Moderate	High	High	Very High	Very High
	LIKELY (65% ~ 90%)	Low	Moderate	High	High	Very High
	POSSIBLE (35% ~ 65%)	Low	Moderate	Moderate	High	High
	UNLIKELY (10% ~ 35%)	Low	Low	Moderate	Moderate	High
	RARE (0% ~ 10%)	Very Low	Low	Low	Low	Moderate

Source: OIG risk assessment methodology

**Table 3** provides the definitions of risk impact and risk likelihood for the respective risk ratings.

**Table 3. Definition of Risk Impact and Risk Likelihood**

<b>Impact Level</b>	<b>Risk Impact</b>	<b>Likelihood Level</b>	<b>Risk Likelihood</b>
<b>Extreme</b>	Impact of risk event to key control objective is severe as to require immediate management intervention	<b>Almost Certain</b>	Risk event is almost certain to occur; likelihood of occurrence is 90% up to 100%
<b>Major</b>	Impact of risk event to key control objective is major as to require immediate escalation to or intervention of management	<b>Likely</b>	Risk event is likely to occur; likelihood of occurrence is 65% up to 90%
<b>Moderate</b>	Impact of risk event to key control objective is moderate but material	<b>Possible</b>	Risk event is possible to occur; likelihood of occurrence is 35% up to 65%
<b>Minor</b>	Impact of risk event to key control objective is minor	<b>Unlikely</b>	Risk event is unlikely to occur; likelihood of occurrence is 10% up to 35%
<b>Incidental</b>	Impact of risk event to key control objective is negligible	<b>Rare</b>	Risk event is highly unlikely to occur; likelihood of occurrence is < 10%

Source: OIG prepared; definitions based on COSO's, "Risk Assessment in Practice," *Deloitte & Touche, LLP* (October 2012).

To assess overall risk to the charge card and convenience check program, we grouped and prioritized key control objectives by assigning greater weight to those objectives where a risk event could result in potential disruption of the charge card and convenience check program management and/or an improper payment being made if the control objective is not achieved.

## Purchase Card Results

Purchase cards are government charge cards used for acquiring goods and services in support of official Council business. Each purchase card has a single transaction limit of \$10,000 and an account credit limit of \$25,000 per statement.<sup>6</sup> Purchase cards are centrally billed. Each month, Council approves the charges and ARC processes the payments due. We determined the overall risk of illegal, improper, or erroneous purchases and payments for Council's purchase cards is low. **Table 4** presents the risk levels of key control objectives for Council's purchase cards.

**Table 4. Risk Levels for Purchase Cards**

Key Control Objectives	Risk Weight	Risk Impact	Risk Likelihood	Risk Level
Policies and procedures for purchase cards were in place	50%	Minor	Unlikely	Low
Charge Card Management Plan was current and complete		Minor	Unlikely	Low
Records of cards issued and limits were maintained		Incidental	Rare	Very Low
Ratio of cardholders to approving officials was low		Incidental	Rare	Very Low
Periodic reviews of cardholder need were performed and processes to invalidate accounts of former employees existed		Incidental	Rare	Very Low
Monitoring was designed to ensure that cards were used for authorized purchases only (i.e. reviews for pre-approvals, suspicious transactions, prohibited merchants)		Minor	Unlikely	Low
Payments on accounts were timely		Incidental	Rare	Very Low
Sufficient and appropriate records of purchase transactions were retained		Minor	Unlikely	Low
Card misuse requiring administrative and/or disciplinary actions were in place		Incidental	Rare	Very Low
Findings from management's post payment reviews were addressed	30%	Incidental	Rare	Very Low
Previous audit recommendations were addressed		Incidental	Rare	Very Low
Training policies and procedures were in place	20%	Incidental	Rare	Very Low
Cardholders and approving officials received mandatory trainings		Incidental	Rare	Very Low

Source: OIG assessment of risks to purchase card control objectives.

<sup>6</sup> In OMB memorandum, *Implementing Statutory Changes to the Micro-Purchase and the Simplified Acquisition Thresholds for Financial Assistance* (M-18-18; June 20, 2018), OMB raised the single purchase threshold limit from \$3,500 to \$10,000. Council raised its single purchase threshold from \$3,500 to \$10,000 and monthly account credit limit from \$14,000 to \$25,000 in May 2019.

## Travel Card Results

Council provides travel cards to employees who expect to incur official travel expenses such as transportation and lodging. Most travel cards are individually billed accounts (IBA) and must be paid by the cardholder. All travel costs must be estimated and authorized before an employee begins official travel and all transportation and lodging expenses are required to be paid for using the travel card. Employees must then submit a voucher detailing the actual expenses incurred within 5 business days of each trip's completion. Split disbursement with direct repayment to Citibank is required for transportation and lodging expenses, while the employee is responsible for all other charges on the account.

We determined that overall risk of illegal, improper, or erroneous purchases and payments for Council's travel cards is low. While overall risk is low, we assessed risk in the key control objective related to Council's monitoring of travel card use as moderate. We reported in our prior risk assessment that Council's monitoring did not include reviews of cash withdrawals. Council management noted that steps have been taken to include monitoring of cash withdrawals. However, reviews of cash withdrawals were not implemented during the period within the scope of this risk assessment. As such, we assessed the risk related to the Council's monitoring of travel card use as moderate. Council management stated that reviews of cash withdrawals began in FY 2020, which will be incorporated into our next charge card and convenience check program risk assessment. It should be noted that we made no conclusions as to the appropriateness and use of the cash withdrawals by travel card holders as part of this risk assessment. **Table 5** presents the risk levels of key control objectives for Council's travel cards.

**Table 5. Risk Levels for Travel Cards**

Key Control Objectives	Risk Weight	Risk Impact	Risk Likelihood	Risk Level
Policies and procedures for travel cards were in place	50%	Minor	Unlikely	Low
Charge Card Management Plan was current and complete		Minor	Unlikely	Low
Credit worthiness of new charge card applicants was assessed		Incidental	Rare	Very Low
Records of cards issued and limits were maintained		Incidental	Rare	Very Low
Periodic reviews of cardholder need were performed, and processes to invalidate accounts of former employees existed		Incidental	Rare	Very Low
Monitoring was designed to ensure cards were used only for authorized reimbursable travel expenses (i.e. reviews for pre-approvals, suspicious transactions, prohibited merchants)		Moderate	Possible	Moderate
Payments on accounts were timely		Incidental	Rare	Very Low
Card misuse requiring administrative and/or disciplinary actions were in place		Incidental	Rare	Very Low
Findings from management's post payment reviews were addressed	30%	Minor	Unlikely	Low
Training policies and procedures were in place	20%	Incidental	Rare	Very Low
Cardholders, approving officials, and agency/organization program coordinators (A/OPCs) received mandatory trainings		Incidental	Rare	Very Low

Source: OIG assessment of risks to travel card control objectives.



## Convenience Check Results

Convenience checks provide a method to procure goods and services from merchants who do not accept charge cards. Because convenience checks incur additional fees when used and do not qualify for refunds, they cost Government agencies more than traditional purchase card transactions and are to be used only as a last resort.

For Council’s convenience check program, we determined Council’s overall risk of illegal, improper, or erroneous purchases and payments is very low. **Table 6** presents the risk levels of key control objectives for Council’s convenience checks.

**Table 6. Risk Levels for Convenience Checks**

Key Control Objectives	Risk Weight	Risk Impact	Risk Likelihood	Risk Level
Policies and procedures for convenience checks were in place	50%	Incidental	Rare	Very Low
Charge Card Management Plan was current and complete		Minor	Unlikely	Low
Monitoring was designed to ensure convenience checks were used only for authorized purchases (i.e. reviews for pre-approvals, suspicious transactions, prohibited merchants)		Incidental	Rare	Very Low
Sufficient and appropriate records of check transactions were retained		Incidental	Rare	Very Low
Payments on accounts were timely		Incidental	Rare	Very Low
Check misuse requiring administrative and/or disciplinary actions were in place		Incidental	Rare	Very Low
Findings from management’s post payment reviews were addressed	30%	Incidental	Rare	Very Low
Previous audit recommendations were addressed		Incidental	Rare	Very Low
Training policies and procedures were in place	20%	Incidental	Rare	Very Low
Check writers and approving officials received mandatory trainings		Incidental	Rare	Very Low

Source: OIG assessment of risks to convenience check control objectives

## OBJECTIVE, SCOPE, AND METHODOLOGY

We performed our risk assessment of the Gulf Coast Ecosystem Restoration Council's (Council) charge card (collectively, purchase cards, travel cards, and centrally billed accounts) and convenience check program. The objective of our assessment was to identify and analyze the risk of illegal, improper, or erroneous purchases and payments in order to determine the scope, frequency, and number of periodic audits of charge card and/or convenience check transactions.

The scope of our risk assessment was comprised of the following:

- charge card and convenience check program;
- Charge Card Management Plan(s) (CCMP) for calendar years 2018 and 2019;
- all 342 purchase card transactions totaling \$100,098 for third quarter (Q3) fiscal year (FY) 2018 through FY 2019;
- all 1,639 travel card transactions totaling \$273,942 for Q3 FY 2018 through FY 2019; and
- policies, procedures, and guidance governing charge card and convenience check use.

To meet the objective of our risk assessment, we performed the following procedures:

- reviewed applicable laws, Office of Management and Budget (OMB) guidance, and policies and procedures for Council;
- reviewed Council's CCMPs for calendar years 2018 and 2019;
- reviewed Council's Interagency Agreement with the Department of the Treasury (Treasury), Bureau of the Fiscal Service's Administrative Resource Center (ARC);
- reviewed evidence of training on charge card and convenience check use;
- reviewed Council's FY 2018 and 2019 *Federal Managers' Financial Integrity Act of 1982* assurance statement for internal control matters involving charge card and convenience checks;
- reviewed previous audits, evaluations, and other assessments for charge card related control findings to include audits of Council's financial statements for FY 2018 and 2019 and the examination reports of ARC's controls
  - *Description of its Financial Management Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period July 1, 2017 to June 30, 2018* (OIG-18-051; September 20, 2018), and
  - *Description of its Financial Management Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period July 1, 2018 to June 30, 2019* (OIG-19-043; August 30, 2019); no findings were noted for the periods under audit and examination;
- reviewed ARC post-payment reviews, conducted on behalf of the Council, related to the use of charge cards and convenience checks and any reported findings;

- reviewed key documents to include the Council’s organizational chart, list of travel cardholders and card limits, purchase card request policies and procedures, and responses to our inquiries;
- performed data reliability procedures of Citibank, N.A. transactions to ensure completeness of data used for analysis that included reviews of data for missing data fields, gaps in transaction dates, and data field errors;
- analyzed all transactions for the period within scope that comprised (1) 342 purchase card transactions (\$100,098) and (2) 1,639 travel card transactions (\$273,942) to identify anomalies and/or potential prohibited purchases (i.e. large dollar purchases, duplicate transactions, single transactions exceeding the \$3,500 purchase card limit from April 1, 2018-April 30, 2019 and \$10,000 purchase card limit from May 1, 2019-September 30, 2019, unauthorized cash advances, personal use transactions) and assess the impact on the control objective related to the design of monitoring to ensure purchase and travel cards and convenience checks were used for authorized purchases only (i.e. reviews for pre-approvals, suspicious transactions, prohibited merchants);
- applied the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to perform the risk assessment as follows:
  - identified key control objectives using OMB Circular No. A-123, Appendix B and Council’s policies and procedures to include, among others, the numbers of (1) card transactions, (2) cardholders, (3) inactive accounts, (4) suspicious improper transactions, (5) instances of card or check misuse, (6) previous audit recommendations not addressed, and (7) cardholders who have not taken charge card training;
  - assigned a risk rating to each control objective based on (1) the impact that a risk event may pose to the control objectives of the charge card and convenience check program, and (2) the likelihood that the risk event may occur; and
  - identified risk level using a risk map (or a heat map); and
- assessed all key control objectives using the risk assessment methodology to identify potential risk events and not for the purpose of concluding on the design and effectiveness of controls as this was not an audit; and as such, audit procedures such as requesting and analyzing documentation to support purchase transactions and other testing procedures were not performed.

We performed our risk assessment at the Office of Inspector General in Washington D.C. from December 2019-June 2020.