



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
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OIG-CA-24-010

**MEMORANDUM FOR MARY WALKER,
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)¹ 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. Our assessment was not for the purpose of concluding on the design and effectiveness of controls. 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.

The scope of this risk assessment covered Council's charge card and convenience check program for fiscal years (FY) 2021 and 2022. 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) 277 purchase card transactions totaling \$145,424, and (2) 407 travel card transactions totaling \$69,780. There were no convenience checks written during FYs 2021 and 2022. 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

¹ 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.

payments (i.e. duplicate transactions, personal use). See Page 11 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 the Council's charge card program as moderate and convenience check program as very low. While we believe that an immediate audit of Council's charge card and convenience check program is not necessary, we want to make management aware of issues identified during the performance of our risk assessment.

Background

The 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*² (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*, initially required that IG risk assessments be completed on an annual basis. However, when OMB rescinded M-13-21 with the issuance of Circular No. A-123, Appendix B Revised, *A Risk Management Framework for Government Charge Card Programs* (effective August 27, 2019), OMB removed the requirement for annual IG risk assessments. As a result, we began conducting risk assessments of the Council's charge card and convenience check program on a biennial basis given the Council's risks had been assessed as low to very low for the charge card and convenience checks, respectively, over the previous assessment periods.³

The 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 (Treasury) Bureau of the Fiscal Service Administrative Resource Center (ARC) to process

² Public Law No. 112-194 (October 5, 2012).

³ OIG, *Risk Assessment of the Gulf Coast Ecosystem Restoration Council's Charge Card and Convenience Check Program* (OIG-CA-20-031; September 2, 2020).

charge card payments, provide cardholder training, and perform post-payment reviews.

Council’s Charge Card and Convenience Check Program

During FYs 2021 and 2022, Council had one purchase card account with 277 reported transactions totaling \$145,424 and one backup purchase card with no activity during the time-period. Additionally, there were between 23 and 26 travel card accounts actively used during FYs 2021 and 2022, with 407 reported transactions totaling \$69,780. One employee had the authority to use convenience checks. No convenience checks were issued during FYs 2021 and 2022. **Table 1** presents the purchase card, travel card, and convenience check transactions.

Table 1. Purchase Card, Travel Card, and Convenience Check Transactions (FYs 2021 and 2022)

		FY 2021	FY 2022	Total
Purchase Cards	Number of Transactions	156	121	277
	Number of Cardholders	2	2	
	Total Amount	\$75,568	\$69,856	\$145,424
Travel Cards	Number of Transactions	95	312	407
	Number of Cardholders	23	26	
	Total Amount	\$14,632	\$55,148	\$69,780
Convenience Checks	Number of Transactions	0	0	0
	Number of Authorized Check Users	1	1	
	Total Amount	\$0	\$0	\$0

Source: OIG prepared; data provided by the Council

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).⁴ 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 were identified in the Federal Travel Regulation⁵ for control objectives specific to travel cards.

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

⁵ *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 determine 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

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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

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

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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 a monthly purchase card limit of \$25,000.⁶ Purchase cards are centrally billed. Each month, Council approves the charges and ARC processes the payments due.

We assessed the Council's purchase card program risk to be moderate based on deficiencies identified with multiple key control objectives. For example, we found that the Council has policies and procedures in place, yet they did not follow the requirements established in the documents. Specifically, despite being required under Treasury's CCMP, the Council's purchase card Agency/Organization Program Coordinators (A/OPC) do not complete monthly or quarterly reviews of purchase card transactional data. Additionally, the Council did not cancel its back-up purchase card after 1 year of inactivity, as is required under Treasury's CCMP. Rather, the Council cancelled the back-up purchase card on January 30, 2023; more than 3 years since it was last used, and after our request for employee cancelled charge cards. Due to this delay, the Council did not comply with the Treasury CCMP requirement to cancel purchase cards that were inactive for 12 months, and therefore, failed to perform periodic reviews of cardholder need. We also observed instances of delayed completion of A/OPC refresher training, which is required every 3 years, and A/OPC initial training; meaning the A/OPCs did not receive mandatory trainings. Therefore, while the Council has current and complete policies and procedures for the purchase card program in place, they are not following all the requirements listed in the documents, which ultimately affects the risk levels in other areas of the program.

Furthermore, we believe that the Council's lack of post-payment reviews to detect instances of delinquency, fraud, and misuse within the purchase card program increases the overall risk. Although ARC conducts an annual audit on a random sample of purchase card transactions, this audit is meant to supplement a full review performed by the Council's AOs and A/OPCs, as noted within the Inter-agency Agreement Statement of Work between ARC and the Council. During the annual audit covering the period from December 1, 2019 through November 30, 2020, ARC identified instances where the Council paid sales tax on tax-exempt purchases. The Council was made aware of these tax payments in ARC's reported findings. However, when ARC went back and reviewed purchases during the period of December 1, 2020 through November 30, 2021, ARC found that the Council once again paid sales tax on tax-exempt purchases. The failure of the Council to address these prior audit findings has led to numerous instances of overpayments to Council

⁶ In OMB memorandum M-18-18, *Implementing Statutory Changes to the Micro-Purchase and the Simplified Acquisition Thresholds for Financial Assistance* (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 purchase card limit from \$14,000 to \$25,000 in May 2019.

vendors. Additionally, during the annual audit covering the periods from December 1, 2021 through November 30, 2022, ARC reported that the Council did not provide evidence that open market purchases complied with Section 889(a)(1)(B) of the John S. McCain National Defense Authorization Act for Fiscal Year 2019.⁷ This lack of evidence is an example of the Council not maintaining sufficient and appropriate records of purchase transactions. We also believe that had the Council performed the A/OPC monthly and quarterly reviews as required by the Treasury CCMP, these instances of improper tax payment and insufficient documentation could have been identified and corrected much sooner than they ultimately were. As such, the lack of Council's post-payment reviews ultimately increases the risk of delinquency, fraud, and misuse within the purchase card program.

In addition to the aforementioned deficiencies, we have never conducted an audit of the Council's charge card and convenience check program. As a result of these deficiencies and the lack of a recently completed audit, we assessed the overall risk of illegal, improper, or erroneous purchases and payments for Council's purchase cards as moderate. **Table 4** presents the risk levels of key control objectives for Council's purchase cards.

⁷ Public Law No. 115-232 (August 13, 2018). Section 889(a)(1)(B) states, "the head of an executive agency may not enter into a contract (or extend or renew a contract) with an entity that uses any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system."

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%	Moderate	Possible	Moderate
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 AOs was low		Incidental	Rare	Very Low
Periodic reviews of cardholder need were performed and processes to invalidate accounts of former employees existed		Moderate	Possible	Moderate
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		Minor	Unlikely	Low
Sufficient and appropriate records of purchase transactions were retained		Moderate	Possible	Moderate
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
Previous audit recommendations were addressed	Moderate		Possible	Moderate
Training policies and procedures were in place	20%	Incidental	Rare	Very Low
Cardholders and AOs received mandatory trainings		Moderate	Possible	Moderate

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

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. The Council requires that all travel costs be estimated and authorized before an employee begins official travel, and all transportation and lodging expenses must be paid for with 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 the GSA Travel Card vendor is required for transportation and lodging expenses, while the employee is responsible for all other charges on the account.

We assessed the overall risk of illegal, improper, or erroneous purchases and payments for Council’s travel cards to be moderate. We reported in our prior risk assessment⁸ that Council’s monitoring did not include reviews of cash withdrawals. During our current risk assessment, we asked Council about steps taken to improve monitoring of

⁸ OIG, *Risk Assessment of the Gulf Coast Ecosystem Restoration Council’s Charge Card and Convenience Check Program* (OIG-CA-20-031; September 2, 2020).

ATM cash withdrawals. Council management noted that steps have been taken to include monitoring of cash withdrawals. However, when we requested documentation of Council’s review of reports to identify cash advances, as referred to in Council’s CCMP, Council was unable to provide documentation. We also observed an instance of delayed travel card cancellation for a former Council employee. As such, we assessed the risk related to the Council’s CCMP, monitoring, and periodic review of cardholder need for travel cards as moderate. To note, we have made no conclusions as to the appropriateness and use of the cash withdrawals by travel card holders as part of this risk assessment.

In addition to the aforementioned deficiencies, we have never conducted an audit of the Council’s charge card and convenience check program. As a result of these deficiencies and the lack of a recently completed audit, we assessed the overall risk of illegal, improper, or erroneous purchases and payments for Council’s travel cards as moderate. **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		Moderate	Possible	Moderate
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		Moderate	Possible	Moderate
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, AOs, and 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 assessed 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 AOs 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. Our assessment was not for the purpose of concluding on the design and effectiveness of controls. 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.

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

- charge card and convenience check program;
- Charge Card Management Plans (CCMP) dated September 6, 2019, February 4, 2021, and January 31, 2023;
- all 277 purchase card transactions totaling \$145,424 for fiscal years (FY) 2021 and 2022;
- all 407 travel card transactions totaling \$69,780 for FYs 2021 and 2022; 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 the Council;
- reviewed Council's CCMP dated September 6, 2019, February 4, 2021, and January 31, 2023;
- 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 FYs 2021 and 2022 *Federal Managers' Financial Integrity Act of 1982* assurance statements 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 FYs 2021 and 2022, and the examination reports of ARC's controls
 - *Report on the Bureau of the Fiscal Service Administrative Resource Center's Description of its Shared Services and the Suitability of the Design and Operating Effectiveness of its Controls for the Period July 1, 2020 to June 30, 2021* (OIG-21-030; September 27, 2021), and
 - *Report on the Bureau of the Fiscal Service's Description of its Administrative Resource Center Shared Services System and the Suitability of the Design and Operating Effectiveness of its Controls for*

the Period July 1, 2021 to June 30, 2022 (OIG-22-039; September 16, 2022); 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;
- reviewed GSA Purchase Card and Travel Card transactions to ensure completeness of data used for analysis by scanning data for missing data fields, gaps in transaction dates, and data field errors;
- analyzed all transactions for the period within scope that comprised (1) 277 purchase card transactions (\$145,424) and (2) 407 travel card transactions (\$69,780) to identify anomalies and/or potential prohibited purchases (i.e. large dollar purchases, duplicate transactions, single transactions exceeding the \$10,000 purchase card limit, 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 using an industry standard presented in a research paper commissioned by COSO, “Risk Assessment in Practice,” *Deloitte & Touche, LLP* (October 2012) to identify potential risk events.

We performed our risk assessment remotely from January 2023-August 2023.