



# U.S. Consumer Product Safety Commission OFFICE OF INSPECTOR GENERAL



## INDEPENDENT RISK ASSESSMENT OF THE CPSC'S CHARGE CARD PROGRAMS

September 1, 2021

21-A-10



## **VISION STATEMENT**

We are agents of positive change striving for continuous improvements in our agency's management and program operations, as well as within the Office of Inspector General.

## **STATEMENT OF PRINCIPLES**

We will work with the Commission and the Congress to improve program management.

Maximize the positive impact and ensure the independence and objectivity of our audits, investigations, and other reviews.

Use our investigations and other reviews to increase government integrity and recommend improved systems to prevent fraud, waste, and abuse.

Be innovative, question existing procedures, and suggest improvements.

Build relationships with program managers based on a shared commitment to improving program operations and effectiveness.

Strive to continually improve the quality and usefulness of our products.

Work together to address government-wide issues.



September 1, 2021

TO: Robert S. Adler, Acting Chairman  
Dana Baiocco, Commissioner  
Peter A. Feldman, Commissioner

FROM: Christopher W. Dentel, Inspector General

SUBJECT: Independent Risk Assessment of the CPSC's Charge Card Programs

The objective of this engagement is to assess risks associated with the U.S. Consumer Product Safety Commission's (CPSC) charge card programs. The Government Charge Card Abuse Prevention Act of 2012 requires us to conduct periodic assessments of agency charge card programs to analyze risk. This review was performed in accordance with attestation standards established by the Government Accountability Office and the American Institute of Certified Public Accountants.

The CPSC is responsible for management of the agency's charge card programs. The auditor's responsibility is to conclude on the level of risk associated with the CPSC's charge card programs for fiscal year 2020. We assessed the programs against criteria found in the Office of Management and Budget's Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*. Overall, we concluded that the risk of illegal, improper, or erroneous purchases and payments through the CPSC's charge card programs during the assessment period was medium for the purchase card and low for the travel and fleet card programs.

As the agency's budget and staffing continue to grow, it is important to have strong controls over charge card use to safeguard government resources and ensure compliance with policies and procedures that reduce the risk of error, fraud, waste, or abuse. While we determined the risk associated with the use of charge cards was low or medium, this should not be interpreted to mean that the programs are free from illegal, improper, or erroneous purchases and payments or that the risk will remain unchanged.

Should you have any questions, please contact me.



## EXECUTIVE SUMMARY

# INDEPENDENT RISK ASSESSMENT OF THE CPSC'S CHARGE CARD PROGRAMS

September 1, 2021

*Overall, we found the risk of illegal, improper, or erroneous payments to be medium for purchase cards and low for fleet and travel cards.*

**OBJECTIVE** The objective of this risk assessment is to determine the level of risk associated with each of the U.S. Consumer Product Safety Commission's (CPSC) charge card programs.

**BACKGROUND** In fiscal year 2020, the CPSC had three charge card programs: purchase, travel, and fleet cards. The CPSC spent \$1,420,674.88 using government charge cards.

The Government Charge Card Abuse Prevention Act of 2012 was enacted to improve purchase and travel card program management. Each Office of Inspector General (OIG) is required to conduct periodic assessments of agency purchase card programs (including convenience checks) to analyze risk. OIGs then use these risk assessment results to determine the scope, frequency, and number of audits they need to conduct over charge card programs.

**ASSESSMENT** The review was conducted in accordance with attestation standards established by the Government Accountability Office and the American Institute of Certified Public Accountants. The OIG evaluated the following factors in its risk assessment of the CPSC's charge card programs: (1) program size relative to the agency's budget, (2) strength of program internal controls, (3) prior program audit and other review recommendation implementation status, (4) the number of substantiated allegations of misconduct or mismanagement involving each program, and (5) degree of program compliance with laws and regulations.

Overall, we concluded that the risk of illegal, improper, or erroneous purchases and payments through the CPSC's charge card programs during the scope period was medium for the purchase card and low for the travel and fleet card programs. This should not be interpreted to mean that the programs are free from illegal, improper, or erroneous purchases and payments or that the risk will remain unchanged.

This report addresses CPSC's Cross Cutting Strategic Priority #1:  
Operational Excellence: Enhance financial stewardship

OIG's Management Challenge #1: Internal Control System

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## ACRONYMS

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Appendix B	OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs
Charge Card Act	The Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194
CPSC	U.S. Consumer Product Safety Commission
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget



## OBJECTIVES

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The objective of this risk assessment is to determine the level of risk associated with each of the U.S. Consumer Product Safety Commission's (CPSC) charge card<sup>1</sup> programs.

## BACKGROUND

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The government's charge card program was established to reduce administrative costs and time for purchasing and paying for goods and services. Additionally, the program seeks to maximize rebates, and leverage charge card data and analytics to monitor policy compliance and inform management decision-making to drive a more cost-effective card program in accordance with agency policies. In fiscal year (FY) 2020, the CPSC spent \$1,420,674.88 using government charge cards in support of its mission of keeping consumers safe.

Congress passed The Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194, (Charge Card Act) to improve purchase and travel card program management. The goal of this legislation is to expand the benefits of card use across the federal government, while continuing to evolve the application of reasonable internal controls to ensure the program is operating as intended.

In addition to the Charge Card Act, the Office of Management and Budget (OMB) develops additional guidance governing the implementation of the Charge Card Act. OMB issued Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*, (Appendix B) to consolidate current government-wide charge card program management requirements and guidance previously issued by OMB and other federal agencies. Appendix B establishes standard minimum requirements and best practices for the government charge card programs that may be supplemented by individual agency policies and procedures.

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<sup>1</sup> OMB Circular A-123, Appendix B, *A Risk Management Framework/or Government Charge Card Programs* defines the term "charge card" as "a government charge card is an account established by a commercial financial institution (hereinafter, "contractor bank") on behalf of agencies or individual agency employees to which the cost of purchasing goods, services, and travel may be charged."

In accordance with the Charge Card Act, each Office of Inspector General (OIG) is required to conduct periodic assessments of agency purchase card programs (including convenience checks) to analyze risk. OIGs then use these risk assessment results to determine the scope, frequency, and number of audits they need to conduct over purchase card programs. OIGs are required to report risk assessment results to the head of the agency.



The Charge Card Act does not require a risk assessment of travel card programs unless the agency has more than \$10 million in travel card spending. Supplementary guidance from General Services Administration makes clear that OIGs for agencies with less than \$10 million in annual travel card spending retain the discretion to perform risk assessments or audits of their agency's travel card program. There are no specific requirements for assessment of the fleet card program.<sup>2</sup>

## SCORING CRITERIA

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The FY 2020 risk assessment is based on criteria developed from requirements in Appendix B, and the Charge Card Act. The OIG selected the following factors to evaluate:

- program size relative to the agency's budget
- strength of program internal controls
- prior program audit and other review recommendation implementation status
- the number of substantiated allegations of misconduct or mismanagement involving each program
- degree of program compliance with laws and regulations

The OIG used the following scoring to determine risk for each factor.

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<sup>2</sup> General Services Administration SmartPay "Common Questions for Public Law 112-194 [Charge Card Act] and OMB Memorandum-13-21." SmartPay.GSA.Gov. <https://smartpay.gsa.gov/content/common-questions-public-law-112-194-and-omb-mem-m-13-21>

**Table 1: Scoring Guide**

Criteria	Low Risk	Medium Risk	High Risk
Program Size as a Percentage of Agency Budget	< 5 %	5 - 10 %	> 10 %
Internal Control Status	Controls implemented & plan completed*	Partially complete plan or some controls implemented	Controls not implemented &/or plan not complete
Number of Unimplemented Recommendations	0	1 - 3	> 3
Number of Allegations Substantiated	0	0	≥ 1
Percentage of Laws/Regulations Not Met	<25%	25-50%	>50%

Source: OIG created table based on criteria outlined above

The CPSC purchase card program includes convenience checks. However, these are rarely used and none were written during the period under assessment.

## PROGRAM SIZE

In FY 2020, the CPSC spent just over one percent of its budget via its charge card programs.

**Table 2: Charge Card Expenditures for FY 2020**

	Purchase Card 2020	Travel Card 2020	Fleet Card 2020
<b>Number of Cardholders</b>	170	132	3
<b>Number of Transactions</b>	2,213	960	16
<b>Transaction Total</b>	\$1,265,178	\$154,508	\$990
<b>CPSC Budget for FY 2020</b>	\$132,500,000	\$132,500,000	\$132,500,000
<b>Percentage of Agency Budget</b>	0.955%	0.117%	0.001%
<b>Average Transaction Value</b>	\$572	\$161	\$62
<b>Average Spending/Card</b>	\$7,442	\$1,171	\$330
<b>Financial Risk Assessment</b>	<b>LOW</b>	<b>LOW</b>	<b>LOW</b>

Source: OIG analysis of CPSC information



## **PROGRAM INTERNAL CONTROLS**

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The CPSC purchase and travel card programs are managed by the Office of Financial Management, Planning, and Evaluation. The fleet card program is managed by the Office of Facilities Services. Agency program managers are responsible for implementing the internal controls found in Appendix B. Appendix B guidance is aimed at reducing the risk of fraud, waste, and error within government charge card programs. Appendix B establishes standard minimum requirements and best practices for purchase, travel, and fleet cards. In accordance with Appendix B, each agency must develop, issue, and maintain written plans for the appropriate use of charge cards consistent with the guidance. In accordance with Appendix B, the plan must be updated on a specified schedule. While agencies are not required to file any document with OMB, OMB reserves the right to request the charge card management plans at any time.

As part of their internal control responsibilities, program managers must perform reviews on a regular basis to ensure internal control mechanisms are adequate in accordance with Appendix B. Also, according to the Administrative Resource Center (CPSC's third party financial services provider) Government Purchase Card Procedures:

The Agency Program Coordinator bears primary responsibility for monitoring purchase card activity in his or her organization and ensures the purchase card is being used in accordance with all applicable procedures. Fiscal Service's Division of Procurement will also conduct a "secondary" review annually of each Cardholder account.

Charge card plans should identify key management officials, a process for written appointment of purchase cardholders, a method of ensuring credit worthiness, a description of training requirements, and an explanation of how available reports are used for monitoring delinquency, misuse, and performance metrics.

## **INTERNAL CONTROLS OBSERVATIONS**

The fleet card management plan was not up-to-date and not all requirements were present. Additionally, a number of the processes described in the plan did not accurately reflect the actual practices in program management.



We noted that the purchase card manager did not conduct a primary internal charge card program annual review. Instead, the manager relied on the annual secondary review performed by the service provider. The CPSC should consider analyzing the risk associated with the lack of program manager internal annual review, or reviewing transactions in any capacity. Also, the manager should consider additional analysis of the secondary review results if they intend to rely on the data as part of their annual program review.

**Table 3: Internal Control Compliance**

	Purchase Cards	Travel Cards	Fleet Cards
<b>Internal Control Compliance</b>	Partially complete plan or some controls implemented	Controls implemented, plan complete	Partially complete plan or some controls implemented
<b>Assessment</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>MEDIUM</b>

Source: OIG analysis of CPSC information

## PROGRAM IMPLEMENTATION OF PRIOR RECOMMENDATIONS

The CPSC does not have any outstanding unimplemented prior audit or other review recommendations related to the charge card programs. At the time of the prior charge card risk assessment, the fleet card manager and administrator were new to their positions and had not received fleet card training. The fleet card manager and administrator met the training requirements for FY 2020.

**Table 4: Unimplemented Prior Recommendations**

	Purchase Cards	Travel Cards	Fleet Cards
<b>Number of unimplemented prior recommendations</b>	0	0	0
<b>Assessment</b>	<b>LOW</b>	<b>LOW</b>	<b>LOW</b>

Source: OIG analysis of CPSC information



## PROGRAM SUBSTANTIATED ALLEGATIONS

There were no substantiated allegations of misconduct or mismanagement involving any charge card program reported to the OIG for the period October 1, 2019, to September 30, 2020.

**Table 5: Substantiated Allegations**

	Purchase Cards	Travel Cards	Fleet Cards
<b>Number of Substantiated Allegations</b>	0	0	0
<b>Assessment</b>	<b>LOW</b>	<b>LOW</b>	<b>LOW</b>

Source: OIG information

## PROGRAM COMPLIANCE WITH LAWS AND REGULATIONS

Appendix B outlines 13 requirements to help agencies reduce the risk of fraud, waste, and error within government charge card programs. Not all requirements apply to all programs.

**Table 6: Compliance with Program Laws and Regulations**

Applicable Laws and Regulations	Purchase Card	Travel Card	Fleet Card
Annually, agencies must develop a risk profile.	No	No	No
Each agency head must provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices.	Yes	Yes	Yes
Each agency must develop and issue guidance regarding the use of third party payment providers.	No	N/A	N/A
Each agency must develop, issue, and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this guidance. The charge card plan must be updated in accordance with Appendix B.	Yes	Yes	No
Each agency must provide training on charge card management and train all participants prior to appointment.	Yes	Yes	Yes
Agencies should maintain for their own use, statistical and narrative information related to each charge card program. Each agency must maintain and report performance metric data.	No	No	No

Applicable Laws and Regulations	Purchase Card	Travel Card	Fleet Card
Each agency/organization must ensure a credit worthiness assessment is conducted of all new individually billed accounts travel charge card applicants prior to issuing a card.	N/A	Yes	N/A
When federal departments or agencies develop, procure, maintain, or use Information and Communication Technology they must ensure that such Information and Communication Technology, allows employees with disabilities to have access to and use of information and data that is comparable to the access to and use of information and data by other employees.	No	N/A	N/A
Agencies must develop and implement policies and practices that ensure products and services meet the sustainability requirements.	No	N/A	Yes
Periodic reviews are performed to determine whether each cardholder has an ongoing need for assigned credit limits.	Yes	Yes	N/A
Agency personnel must review the agency's rebate agreement and the technical requirements at least annually or prior to recompeting the task order or exercising the option.	No	No	No
Agencies must issue written policies and procedures for the appropriate use of convenience checks.	Yes	N/A	N/A
Charge card managers should conduct internal charge card program reviews on a regular basis to ensure internal control mechanisms are adequate.	No	Yes	Yes
<b>Requirements not Met</b>	<b>7 out of 12</b>	<b>3 out of 9</b>	<b>4 out of 8</b>
	<b>58%</b>	<b>33%</b>	<b>50%</b>
<b>Assessment</b>	<b>HIGH</b>	<b>LOW</b>	<b>MEDIUM</b>

Source: OIG analysis of CPSC Information

## OBSERVATIONS

While program managers do oversee a risk assessment process, they do not complete all the tasks required as part of the risk profile process in accordance with Appendix B. For example, there are ratings in the risk assessment, but there is no indication of how the CPSC will respond to them.

Internal controls for the fleet card program seem to be implemented in a nonchalant manner and the fleet card program appears to lack sufficient internal controls to mitigate potential fleet card misuse at CPSC headquarters. The CPSC should consider reviewing and updating, if necessary, all standard operating procedures in accordance with



Appendix B. Proper and consistent implementation of the policies and procedures should reduce the risk of illegal, improper, or erroneous use of fleet cards.

As a best practice and to improve program management “[a]gencies should maintain for their own use, statistical and narrative information related to each charge card program.” After agency statistical and narrative reporting to OMB was discontinued, the CPSC no longer prepared and maintained the information. The CPSC should consider reviewing Appendix B for guidance on maintenance of statistical and narrative information. This could be done as part of a larger review to ensure internal control mechanisms are adequate.

Annually, agencies must review their rebate agreement to maintain cost-effective charge card programs. Due to the size of the CPSC charge card program, agency managers have determined that this analysis may not be cost beneficial. The CPSC should document this determination to ensure compliance with Appendix B.

## CONCLUSION

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Based on the criteria used in this risk assessment, we conclude that the risk of illegal, improper, or erroneous purchases and payments made through the CPSC’s charge card programs during the period under assessment was medium for the purchase card program and low for the fleet and travel card programs. We are unaware of any material modifications that should be made to the charge card program as a result of this risk assessment. The OIG based its conclusion on the charge card programs’ size compared to the agency’s budget, strength of its internal controls, prior program audit and other review recommendation implementation status, number of substantiated allegations, and compliance with laws and regulations.

While we determined the risk associated with the use of charge cards was low or medium, this should not be interpreted to mean that the programs are free from illegal, improper, or erroneous purchases and payments or that the risk will remain unchanged. As the agency’s budget and staffing grows it is important to have strong controls over charge card use to safeguard government resources and ensure compliance with policies and procedures that reduce the risk of error, fraud, waste, or abuse.



**Table 7: Summary Risk Assessment**

Criteria	Purchase Cards	Travel Cards	Fleet Cards
Program Size	LOW	LOW	LOW
Internal Controls Status	MEDIUM	LOW	MEDIUM
Unimplemented Recommendations	LOW	LOW	LOW
Substantiated Allegations	LOW	LOW	LOW
Compliance with Laws and Regulations	HIGH	LOW	MEDIUM
<b>Summary Assessment</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>LOW</b>

Source: OIG analysis of risk assessment data

## **APPENDIX A – Scope and Methodology**

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**SCOPE** The scope of the risk assessment is charge card activity from October 1, 2019, to September 30, 2020, by the CPSC. The risk assessment was performed from March through July 2021 at the CPSC headquarters in Bethesda, Maryland.

**METHODOLOGY** Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants as incorporated in Government Auditing Standards. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the CPSC’s charge card programs in order for it to be in accordance with criteria found in Appendix B.

The procedures performed in a review vary in nature and timing from and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether charge card programs comply with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

To accomplish the objective of this risk assessment we:

- reviewed applicable laws and regulations
- determined the dollar amounts for the CPSC’s charge card programs
- reviewed charge card program internal controls including CPSC directives and standard operating procedures
- reviewed status of implementation of prior audit and other review recommendations
- consulted with investigative staff to determine the status of charge card allegations and investigations



- determined whether the CPSC has maintained its Charge Card Management Plan in accordance with OMB guidance
- interviewed the CPSC personnel responsible for program management and oversight to gain an understanding of the programs
- requested and reviewed the management representation and assertion letters regarding program management

Based on our review, we are not aware of any material modifications that should be made to charge card programs for the fiscal year ended September 30, 2020.



## **APPENDIX B – Agency Response**

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The OIG presented agency management with the draft report on August 19, 2021. Management provided a management representation letter via email on August 27, 2021. The management representation letter confirms the statements in the management assertion letter. All relevant information has been disclosed and all required access was provided.

Management concurs with the review of CPSC credit card programs. Management will work to address deficiencies identified in the review observations to strengthen the processes and controls.





For more information on this report please contact us at [CPSC-OIG@cpsc.gov](mailto:CPSC-OIG@cpsc.gov)

To report Fraud, Waste, or Abuse, Mismanagement or Wrongdoing at the CPSC go to [OIG.CPSC.GOV](http://OIG.CPSC.GOV) or call (301) 504-7906

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