



UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
Office of Inspector General

MEMORANDUM

DATE: March 31, 2021

TO: Managing Director

FROM: Inspector General *For RM*

SUBJECT: Fiscal Year 2020 Charge Card Program Risk Assessment
(20-OASP-06-02)

The Office of Inspector General (OIG) is providing the results of its fiscal year 2020 risk assessment on the Federal Communications Commission's (FCC) travel and purchase charge card programs¹. OIG conducted this risk assessment consistent with its authority under the Inspector General Act of 1978, as amended, including but not limited to sections 2(1), 4(a)(1) and 5. The risk assessment is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit. This risk assessment is not an audit and, therefore, was not conducted in accordance with generally accepted government auditing standards. Further, the results of this risk assessment should not be interpreted to mean that a charge card program with low risk is free of illegal, improper, or erroneous activities, or internal control deficiencies. Conversely, a high-risk program may not necessarily indicate that illegal, improper, or erroneous activities exist in the program.

The objective of this risk assessment was to identify and analyze risk of illegal, improper, and erroneous uses of government charge cards. We used the risk assessment results to plan the scope and frequency of future charge card audits and inspections.

The FCC agencywide charge card program includes travel, purchase, and fleet cards. FCC's annual charge card spending from April 1, 2019 through March 31, 2020 totaled \$2,606,437. The purchase, travel, and fleet card expenditures during that period were \$765,791 (30 percent), \$1,753,795 (67 percent), and \$86,851 (3 percent), respectively. While FCC's charge card program includes three card types, we limited the scope of this risk assessment to only include analyses of the FCC's purchase and travel charge card data for April 1, 2019 through March 31, 2020, and monthly data for October 2017, October 2018 and October 2019. The FCC fleet card program was

¹ The FCC agencywide charge card program includes three individual charge card programs (travel, purchase, and fleet cards). For purposes of this review, we use the term charge card program when we are referring to the overall program; and purchase and travel card program when we are referring to either or both programs. FCC's policy refers to each of the activities as programs.

not a focus of our review because the total fleet card transactions for the period of our review was \$86,851, or 3 percent of the FCC's total charge card transactions. We deemed that amount to be immaterial when compared to the \$2,519,586, or 97 percent, combined purchase and travel card spending included in our review.

This risk assessment of the FCC's government charge card program was conducted in accordance with the Public Law 112-194, *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), and Office of Management and Budget (OMB) Circular A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, dated August 27, 2019.

Background

Purchase and Travel Card Overview

The FCC Travel and Operations Group (TOG), an office within the Office of Managing Director's Financial Operations office, administers the charge card program for the Commission. The charge card program includes the purchase, travel, and fleet cards. The TOG processes various types of disbursements, including those made to vendors, other government agencies, and employees, via purchase, travel, and fleet cards.

- A travel card is a government contractor bank-issued credit card, which provides FCC travelers with safe, effective, convenient, and commercially available method to pay for expenses associated with official government-related travel. Use of a government travel charge card is mandatory for all FCC employees who travel more than once per year on official business unless an exemption is granted. FCC strictly prohibits the use of the card for other than official temporary duty travel.
- A purchase card is a government contractor bank-issued credit card, which is used to make small purchases of goods and services, up to the \$3,500 micro purchase limit, for official government use. The respective bureau/office chiefs, or their designee, authorize the issuance of purchase cards to employees appointed as purchase cardholders upon completion of mandatory charge card training. Contractor employees, temporary employees, and interns are not eligible to become government purchase cardholders.
- A fleet card is used to pay for fuel, supplies, or repair expenses for agency fleet vehicles. Fleet cards are assigned to the fleet vehicles, not to individual employees.

Government Charge Card Requirements

On October 5, 2012, the President signed Public Law 112-194, the *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), into law to reinforce the government's efforts to prevent waste, fraud, and abuse of government-wide charge card programs. The Charge Card Act requires all executive branch agencies (agencies) to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. The Charge Card Act establishes additional reporting and auditing requirements designed to prevent improper payments and protect privacy, among other things.

In addition to compliance with the Charge Card Act, agencies are required to comply with charge card guidance issued in OMB Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs*. This OMB guidance (1) consolidates the governmentwide charge card program management requirements issued by the Office of Management and Budget, General Services Administration, Governmental Accountability Office, Department of Treasury, and other federal agencies; and (2) establishes standard minimum requirements and best practices for government charge card programs.

FCC supplemented the OMB guidance with agencywide travel and purchase charge card policies and procedures.

- The policies and procedures governing the FCC travel charge card program are documented in (1) FCC Travel Handbook, 2008; (2) Policies and Procedures Manual, Chapter 3, Section 421, *Travel Card Transaction Reviews*; (3) *FCC Travel Card Dos and Don'ts*, Edition 4, dated December 2018; (4) Travel Policies and Travel Overview posted in the FCC's intranet; and (5) OMB Circular A-123, Appendix B, *Charge Card Management Plan Fiscal Year 2020*, Version 7.0, dated January 31, 2020.
- The policies and procedures governing the FCC purchase card program are documented in (1) FCC directive FCCINST 1097.4, *Use of Federal Government Purchase Card for Small Purchases*, dated September 30, 2019; (2) OMB Circular A-123, Appendix B, *Charge Card Management Plan Fiscal Year 2020*, Version 7.0, dated January 31, 2020; (3) *FCC Purchase Card Dos and Don'ts*, Edition 5, dated September 2019; and (4) Policies and Procedures Manual, Chapter 3, *Purchase Card Transaction Reviews*.

Results of Risk Assessment

We determined that the FCC agencywide charge card program's risk of illegal, improper, or erroneous use was low. Given a low risk assessment, we do not plan to include an audit or inspection of the FCC's purchase card and travel card programs in the OIG's fiscal year 2021 and 2022 work plan. We will continue to conduct risk assessments of FCC's government charge card program every 2 years. Our next risk assessment is planned for fiscal year 2022. While there is no audit or inspection planned in the next 2 years, we encourage FCC officials to continue to exercise prudent oversight of its charge card program to ensure that internal controls intended to safeguard taxpayer funds are fully implemented and operating as intended.

Risk Factor Assessment. Based on our research of the Charge Card Act, related OMB guidance, and the FCC travel and purchase card programs, OIG identified seven risk factors and judgmentally developed criteria for evaluating them. We selected these seven risk factors because we believe they are the most relevant measures for evaluating the risks associated with the FCC's charge card program.

- *Program Size* examines the size of the travel and purchase card programs. The program size is determined by the number of active cardholders and total dollar amount of annual charge card spending.

- *Internal Controls* provide reasonable assurance that the risks related to the charge card program are prevented or detected in a timely manner. Under this risk factor, we identified the Commission's internal controls over its travel and purchase card activities, and we measured the risk based on the Commission's effectiveness in implementing internal control policies and procedures for its agencywide charge card program.
- *Violations Reports* identify confirmed violations involving misuse of purchase cards by FCC employees that result in fraud, loss to the FCC, or misappropriation of funds or assets. A violation or the misuse of the charge card is confirmed following completion of a FCC or OIG review. We measured risk based on the number of reported instances of a purchase card violation.
- *Training* pertains to the training the Commission offered to employees to ensure they understand FCC charge card policies and procedures before assuming their responsibilities as charge card managers or cardholders. We measured risk based on the availability of evidence to support the existence of a charge card training program and evidence to support the adoption of the training requirements outlined in the Commission's charge card policy.
- *Prior Investigations/Open Investigations* identify any travel and purchase card related investigations performed by OIG's Office of Investigations. We measured risk based on the frequency of charge card investigations initiated or completed by the OIG's Office of Investigations and the appropriateness of the corrective action implemented.
- *Prior Audits/Open Audits* identify any reviews of the Commission's travel and purchase card related programs performed by OIG, GAO or other government oversight entities. We measured risk based on how frequent OIG, GAO or other government oversight entities have performed oversight work on the program and how responsive Commission management has been in implementing corrective action for any completed work that resulted in findings and recommendations.
- *Transaction Trend Analysis* identifies fluctuations in the travel and purchase card data that may indicate risk. We measured risk based on the quantitative significance of the fluctuations in the data (i.e., 10 percent or greater change).

See the OIG Charge Card Risk Assessment Purpose, Scope, and Methodology (attached) for additional details on these seven risk factors.

The details for OIG’s risk rating for each risk assessment factor and the overall combined weighted average risk rating, are shown in Table 1.

Table 1, Fiscal Year 2020 Rating by Risk Factor

| Risk Factor No. | Risk Factor | FY 2020 Risk Rating | Numerical Risk Rating |
|------------------------|--|----------------------------|------------------------------|
| Factor 1 | Program Size - Purchase Card | Low | 1 |
| Factor 1 | Program Size - Travel Card | Medium | 3 |
| Factor 2 | Internal Controls - Purchase Card | Medium | 3 |
| Factor 2 | Internal Controls - Travel Card | Low | 1 |
| Factor 3 | Violations Reports | Low | 1 |
| Factor 4 | Training | Low | 1 |
| Factor 5 | Prior Investigations/Open Investigations | Low | 1 |
| Factor 6 | Prior Audits/Open Audits | Low | 1 |
| Factor 7 | Transaction Trend Analysis - Purchase Card | Low | 1 |
| Factor 7 | Transaction Trend Analysis - Travel Card | High | 5 |
| | Total | Low | 18 |
| | Combined/Weighted Average Risk Rating | Low | 1.8* |

*See Attachment: OIG Charge Card Risk Assessment Purpose, Scope, and Methodology for additional details and the formula used to calculate the combined weighted average risk rating.

OIG’s Risk Rating by Risk Assessment Factor

Purchase Card Program Size

We assessed a low-risk rating for the FCC’s purchase card program because of its small program size, both in terms of the dollar amount of purchases and the number of active cardholders. The TOG was unable to run a report showing the number of travel cardholders at various points in time. Since data was not available to match the time period for the March 31, 2020 transaction detail report, we used other data provided to OIG, which showed the total number of purchase cardholders was 88 as of September 30, 2020. We reviewed the FCC’s purchase card transaction detail report and determined that purchase card spending totaled \$765,791.04, consisting of 1,304 transactions, for the period April 1, 2019 through March 31, 2020. We determined that FCC’s program size was small, because the number of FCC cardholders was less than 250 and the annual total purchases were less than the \$10 million threshold established by OMB.²

Travel Card Program Size

We assessed a medium-risk rating for the FCC’s travel card program because of the large number of active travel cardholders. The TOG was unable to run a report showing the number of travel

² The \$10 million threshold for conducting risk assessments of purchase and travel cards is provided by OMB Circular A123, Appendix B. The risk associated with the number of active cardholders was determined by OIG based on auditor judgment. See the attached OIG Charge Card Risk Assessment Purpose, Scope and Methodology for additional details.

cardholders at various points in time. Since data was not available to match the time period of the March 31, 2020 transaction detail report, we used other data provided to OIG, which showed the total number of travel cardholders was 537 as of September 30, 2020. We reviewed the FCC's travel card transaction detail report and determined that travel card spending totaled \$1,753,795.88, consisting of 1,300 transactions, for the period April 1, 2019 through March 31, 2020. Although the FCC's annual travel card spending was less than OMB's \$10 million threshold, we believe this program has medium risk because it had more than 500 active travel card holders.

Internal Controls

We assessed a medium-risk rating for internal controls of the FCC's purchase card program because while management had established internal controls in its charge card programs, in accordance with the Charge Card Act and OMB guidance, they had not consistently implemented one of the key controls required by FCC policy. Specifically, we found that the FCC had not performed quarterly reviews of the purchase card activities to identify and prevent unauthorized use of the purchase cards for nearly 3 years (from fourth quarter of 2017 through second quarter of 2020).

Alternatively, we assessed a low-risk rating for internal controls of the FCC's travel card program because FCC adopted several OMB Circular No. A-123 control standards. Examples of the control standards adopted include:

- Implementing controls to identify instances where a cardholder fails to resolve and/or timely dispute an erroneous charge;
- Requiring that records of each travel card issued be retained in accordance with agency policy; and
- Requiring all cardholders to provide supporting documentation for lodging expenses incurred, including any non-exempt state and local taxes paid by the cardholders.

Violations Reports

We assessed a low-risk rating for the Violations Reports (i.e., confirmed card misuse) risk factor for both the purchase and travel card programs. We inquired with the TOG regarding any instances of charge card usage violations identified by the Commission. The TOG reported that there were no violations for either the purchase card or travel card during the period of our review.

Training

We assessed a low-risk rating for the Training risk factor for both the purchase and travel card programs because we determined that FCC's charge card policy³ requires FCC cardholders to complete mandatory charge card training. In addition, TOG provided documentation showing that

³ The FCC policies that require cardholders to complete charge card training are documented in (1) OMB Circular A-123, Appendix B *Charge Card Management Plan Fiscal Year 2020*, Version 7.0, dated January 31, 2020, and (2) *FCC Purchase Card and Travel Card Dos and Don'ts*.

purchase and travel cardholders, as well as approving officials, completed FCC’s required charge card training before TOG issued the travel or purchase card or assigned individuals to act as an approving official.

Prior Investigations/Open Investigations

We assessed a low-risk rating for the Prior Investigations/Open Investigations risk factor because the OIG’s Office of Investigations informed us that they did not have any open FCC travel and purchase card related investigations and were not aware of any instances of illegal, improper, or erroneous charge card transactions occurring from April 1, 2019 through March 31, 2020.

Prior Audits/Open Audits

We assessed a low-risk rating for the Prior Audits/Open Audits risk factor because all recommendations from prior year charge card audits had been fully implemented and closed. In November 2018, we issued an inspection report (Report No. 18-INSP-04-01) on the FCC’s charge card program that contained five recommendations. As of December 2020, all five of those recommendations had been closed. We researched but did not identify any recent charge card audits by the Government Accountability Office or other government oversight entities.

Purchase Card Transaction Trend Analysis

We assessed a low-risk rating for the purchase card Transaction Trend Analysis risk factor because of FCC’s relatively stable monthly purchase card spending for October 2017, October 2018, and October 2019. As noted in the table below, there were no significant fluctuations and the level of spending was relatively the same for each period.

Table 2, Purchase Card Transaction Trend Analysis

| Period | Number of Purchases | Total Amount of Purchases |
|---------------|----------------------------|----------------------------------|
| October 2017 | 95 | \$49,606.86 |
| October 2018 | 112 | \$50,549.85 |
| October 2019 | 95 | \$49,959.78 |

Travel Card Transaction Trend Analysis

We assessed a high-risk rating for the travel card Transaction Trend Analysis risk factor because of the significant fluctuations in the FCC’s monthly travel charge card spending for October 2017, October 2018, and October 2019. As shown in the table below, the FCC’s travel card spending decreased 28 percent from October 2017 to October 2018 and increased 52 percent from October 2018 to October 2019.

According to FCC management, the travel spending was unusually low in October 2018 because of budget limitations associated with a continuing resolution⁴ along with the threat of a governmentwide furlough. In addition, the increase in travel spending in October 2019 was partly due to several FCC employees attending a World Radio Conference. OIG determined that while FCC management’s explanations for the fluctuation appear reasonable, further review beyond the scope of our assessment procedures is needed to substantiate each explanation. Because the fluctuation was over 10 percent, which was above our risk assessment threshold limit, we assessed the travel card trend analysis risk factor as high risk.

Table 3, Travel Card Transaction Trend Analysis

| Period | Number of Purchases | Total Amount of Purchases |
|--------------|---------------------|---------------------------|
| October 2017 | 654 | \$146,044.64 |
| October 2018 | 436 | \$103,872.99 |
| October 2019 | 841 | \$158,110.41 |

Conclusion

We determined that the overall risk related to the FCC charge card program was low. However, we identified one area in which FCC should strengthen its internal control. Specifically, FCC should consistently implement quarterly purchase card report reviews to help detect and prevent unauthorized use of purchase cards. We assessed a medium risk rating for the purchase card program’s internal control because, although FCC has established the controls required by the Charge Card Act and OMB Guidance, one of the controls was not being implemented consistently. The risk rating for the purchase card could increase from medium to high if the control deficiency is not remediated.

If you have any questions concerning this project, please contact Sophie Jones, Deputy Assistant Inspector General for Audit, at (202) 210-0976 or sophila.jones@fcc.gov; or Robert McGriff, Assistant Inspector General for Audit, at (202) 418-0483 or robert.mcgriff@fcc.gov.

Attachment: OIG Charge Card Risk Assessment Purpose, Scope, and Methodology

cc: Managing Director
Chief of Staff

⁴ Legislation in the form of a joint resolution enacted by Congress, when a new fiscal year is about to begin or has begun, to provide budget authority for Federal agencies and programs to continue in operation until the regular appropriations acts are enacted.