

Federal Housing Finance Agency
Office of Inspector General



**Risk Assessment of FHFA's
Government Travel Card Program
July 1, 2018 – June 30, 2019**



OIG-RA-2019-
001

September 10,
2019

Executive Summary

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), as implemented by the Office of Management and Budget (OMB) Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012* (OMB M-13-21), requires, among other things, that the Inspector General of each executive agency conduct periodic risk assessments of agency travel card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments to guide analyses or audits of these programs as necessary. Where annual travel card spending for an agency exceeds \$10 million, the Charge Card Act and OMB M-13-21 require periodic audits or reviews of the agency's travel card program.

For fiscal year 2018, the Federal Housing Finance Agency (FHFA or Agency) reported to OMB that its travel card expenditures were \$2,140,934. Because travel card expenditures for the fiscal year were significantly less than \$10 million, no periodic audit of FHFA's travel card program is required.

Nevertheless, in 2018 we did perform an audit of FHFA's fiscal year 2017 travel card program. In our audit, *Audit of FHFA's Fiscal Year 2017 Government Travel Card Program: FHFA Needs to Emphasize Certain Program Requirements to Travelers and Approving Officials* (September 28, 2018) (AUD-2018-014), we reported that FHFA had adequate written policies and procedures for its travel card program. However, those policies and procedures were not always followed. We made one recommendation with which FHFA agreed.

Pursuant to the Charge Card Act, we conducted a risk assessment of FHFA's travel card program for the period July 1, 2018, to June 30, 2019 (assessment period), to include follow-up on our prior audit report's recommendation. Based on our risk assessment, we concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA's travel card program during the assessment period was low. We also found that FHFA's actions to address the fiscal year 2017 deficiencies were timely completed. Accordingly, we determined that an audit of the program is not warranted for fiscal year 2019.

While our risk assessment for FHFA's travel card program determined that the risk of illegal, improper, or erroneous activity in the program was low, we recognize that an audit of the program could potentially identify improper activity or failure of an internal control. We caution that our risk assessment should not be interpreted to mean that the risk level will remain low indefinitely because the possibility remains that existing internal controls



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could become inadequate due to a change in conditions and/or degree of compliance with the policies or procedures.

This report was prepared by Heath Wolfe, Director of Audit Operations, with the assistance of Bob Taylor, Senior Advisor. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report.

This report has been distributed to FHFA, Congress, OMB, Government Accountability Office (GAO), and others and will be posted on our website, fhfaoig.gov and Oversight.gov.

Marla A. Freedman, Deputy Inspector General for Audits /s/

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ABBREVIATIONS

ARC	Department of the Treasury, Bureau of the Fiscal Service's Administrative Resource Center
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
Charge Card Plan	Charge Card Management Plan
Circular A-123, Appendix B	Office of Management and Budget Circular No. A-123, Appendix B (Revised January 15, 2009), <i>Improving the Management of Government Charge Card Programs</i>
FHFA or Agency	Federal Housing Finance Agency
GAO	Government Accountability Office
OIG	Federal Housing Finance Agency Office of Inspector General
OMB	Office of Management and Budget
OMB M-13-21	Office of Management and Budget Memorandum M-13-21, <i>Implementation of the Government Charge Card Abuse Prevention Act of 2012</i>

BACKGROUND.....

Within FHFA, the Office of Budget and Financial Management manages the Agency's government travel card program. This office is also responsible for ensuring that FHFA's travel card program complies with the Charge Card Act¹ and OMB requirements.

In July 2009, FHFA entered into an interagency agreement with the Department of the Treasury, Bureau of the Fiscal Service's Administrative Resource Center (ARC) for services related to the Agency's government travel card program. ARC uses the travel services and system to manage FHFA's travel card program.

FHFA, as required by OMB,² must maintain and annually submit to OMB a Charge Card Management Plan (Charge Card Plan) no later than January 31. The Charge Card Plan must include the following elements:

- Identification of key management officials and their responsibilities for each card program. These officials will include, but are not limited to, agency/organization program coordinator, approving officials or other equivalent officials, and other accountable/billing officials;
- Establishment of a process for formal appointment of cardholders and approving officials, where applicable;
- Implementation of a process to ensure the credit worthiness of new card applicants;
- Description of agency training requirements;
- Management controls, policies, and practices for ensuring oversight of payment delinquencies, fraud, misuse, or abuse;
- Establishment of appropriate authorization controls;
- Implementation of policies and practices to ensure strategic sourcing;
- Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues;

¹ See Public Law No. 112-194.

² See OMB Circular No. A-123, Appendix B (Revised Jan. 15, 2009), *Improving the Management of Government Charge Card Programs*.

- Documentation and record retention requirements;
- Recovery of cards and other documentation when employees terminate employment and, if applicable, when an employee moves to a different organization; and
- Description of how the agency will ensure the ongoing effectiveness of the actions taken pursuant to this guidance, including, but not limited to, evaluating the effectiveness of training, risk management controls, refund management controls, strategic sourcing policies, and tax recovery efforts.

FACTS AND ANALYSIS

FHFA’s Fiscal Year 2018 Travel Card Program Expenditures and Number of Cardholders

Historically, FHFA travel card transactions have been well below the \$10 million threshold, which continued during fiscal year 2018. FHFA reported to OMB that its fiscal year 2018 travel card expenditures were \$2,140,934, and its active travel cardholders ranged from 164 to 166, held by 27 to 28 percent of its employees.

FHFA’s Internal Controls over its Travel Card Program

As discussed in the Background section of this report, OMB requires each federal agency to prepare a Charge Card Plan that includes specifically enumerated elements and submit that Plan to OMB no later than January 31 of each year. In addition, OMB requires that FHFA review and update its Charge Card Plan, as necessary, to reflect certain control activities and provide other semiannual and annual submissions and certifications.

We reviewed FHFA’s Charge Card Plan submitted to OMB on January 17, 2019, and found that the Plan included the OMB-required elements.

Efficacy of Existing FHFA Internal Controls for Travel Card Program

For our assessment period, we found that no complaints of alleged fraud or misuse of travel cards were made to OIG, and FHFA referred no matters involving potential misuse of travel cards to OIG. We also learned that FHFA reported that it took no administrative or disciplinary actions against its employees for card misuse to OMB during fiscal year 2018.

One of FHFA’s internal controls over its travel card program is the receipt of regular reports from its service provider, ARC, relating to ARC’s ongoing monitoring of the use of those cards. For example, FHFA receives a monthly delinquency report from ARC that identifies delinquent travel card accounts—accounts 30 days or more past due. From the monthly

delinquency reports received for our assessment period, we reviewed the two months (August 2018 and June 2019) with the highest amounts of past due travel card debt to determine what action, if any, FHFA took in response. We found that FHFA notified all 6 and 16 cardholders, respectively, in writing about the past due amounts and instructed them to remit payment in full as soon as possible.

Results of Prior Audit of FHFA's Travel Card Program by OIG

In 2018, we performed an audit of FHFA's fiscal year 2017 travel card program. We reported that FHFA had adequate written policies and procedures for its travel card program. However, those policies and procedures were not always followed. For example, we noted exceptions to travel requirements to include: reimbursement for lodging taxes in states where such taxes were exempt, late filing of travel vouchers, lack of an approved travel authorization before travel was initiated, and lack of a lodging receipt. Additionally, we found that two FHFA employees on official travel did not use their government-issued travel cards to pay for lodging expenses and two other employees not on official travel used their travel cards to pay for nominal personal expenses. During our audit, FHFA took action to obtain refunds of the lodging taxes in the tax-exempt states and to obtain the missing lodging receipt. We made one recommendation to FHFA to address the shortcomings identified in the fiscal year 2017 audit. In a written management response, FHFA agreed with the recommendation and advised that it would send out periodic travel reminders to employees, which covered the exceptions. During this risk assessment, we verified that this planned corrective action was completed.

Results of Prior Financial Audit of FHFA by GAO

In its audit report on FHFA's fiscal year 2018 financial statement,³ GAO identified deficiencies in FHFA's internal control over financial reporting that it did not consider to be material weaknesses or significant deficiencies.⁴ Furthermore, GAO reported to us that these deficiencies were not related to FHFA's travel card program. GAO confirmed that its audit work included testing of the adequacy of FHFA's internal controls over its travel card

³ GAO, *Financial Audit: Federal Housing Finance Agency's Fiscal Years 2018 and 2017 Financial Statements* (Nov. 15, 2018) (GAO-19-183R) (online at www.gao.gov/products/GAO-19-183R). In that report, GAO rendered an unmodified (clean) opinion on FHFA's financial statements and internal control over financial reporting for the period audited, and stated that they found no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

⁴ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

program. For its fiscal year 2018 audit, GAO’s testing did not identify any issues related to FHFA’s travel card program.

CONCLUSION.....

Based on our risk assessment, we concluded that the risk of illegal, improper, or erroneous purchases and payments through FHFA’s travel card program during July 1, 2018, to June 30, 2019, was low. Accordingly, we determined that an audit of the program is not warranted during fiscal year 2019. Pursuant to the Charge Card Act, we intend to regularly conduct risk assessments of FHFA’s travel card program to determine whether a future audit is necessary.

FHFA COMMENTS.....

We provided FHFA an opportunity to respond to a draft of this report. In its management response, which is included as an appendix to this report, FHFA acknowledged our conclusion that the risk of illegal, improper, or erroneous purchases and payments was low, and an audit of the travel card program would not be warranted during fiscal year 2019.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this risk assessment was to use the assessment for planning future audits of FHFA's travel card program, as appropriate. The assessment included a follow-up on our fiscal year 2017 audit's recommendation. The scope of the risk assessment focused on FHFA's policies and procedures over its travel card program for the period July 1, 2018, to June 30, 2019.

We conducted this risk assessment in June 2019 through August 2019.

To address our risk assessment objective, we:

- Reviewed the Charge Card Act and related OMB requirements that apply to FHFA;
- Reviewed the FHFA Director's Federal Managers' Financial Integrity Act of 1982 Statement of Assurance for fiscal year 2018 for any mention of internal control matters related to FHFA's travel card program;
- Determined whether FHFA maintained and annually submitted its Charge Card Plan no later than January 31 for the assessment period. We also obtained and reviewed the Plan for conformance with applicable requirements;
- Determined whether FHFA summarized its overall results in completed compliance summaries and internal assurance assessments in its annual Charge Card Plan;
- Determined the dollar amounts and other relevant statistical information for FHFA's travel card program for fiscal year 2018;
- Interviewed FHFA's Deputy Chief Financial Officer and other appropriate officials responsible for FHFA's travel card program about (a) whether they had knowledge of any fraud or suspected fraud affecting the program, (b) whether they were aware of any allegations of fraud or suspected fraud affecting the program, (c) the nature and extent of monitoring they performed over the program, and (d) whether and how management communicated to cardholders and approving officials its views on the proper use of travel cards;
- Determined whether FHFA and/or ARC conducted any compliance testing of FHFA's travel card program. This included obtaining (a) an understanding of the compliance testing program in place during the assessment period and (b) the results of the compliance testing performed, including any findings and recommendations to FHFA;

- Reviewed the monthly reports regarding delinquent travel card accounts for the assessment period plus FHFA’s follow-up actions for the months of August 2018 and June 2019;
- Reviewed FHFA’s annual performance metrics report for travel cards during the assessment period; and
- Reviewed GAO’s report on its audit of FHFA’s financial statements for fiscal year 2018 to determine whether any deficiencies were reported related to FHFA’s travel card program. We also inquired of GAO’s staff about the scope and results of any testing of the travel card program performed for the review period of FHFA’s financial statements.

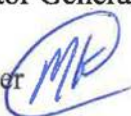
APPENDIX: FHFA MANAGEMENT RESPONSE.....



Federal Housing Finance Agency

MEMORANDUM

TO: Marla A. Freedman, Deputy Inspector General for Audits

FROM: Mark Kinsey, Chief Financial Officer 

SUBJECT: Management Response to the Draft Risk Assessment: *Risk Assessment of FHFA's Government Travel Card Program July 1, 2018 – June 30, 2019*

DATE: September 6, 2019

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft risk assessment titled, *Risk Assessment of FHFA's Government Travel Card Program July 1, 2018 – June 30, 2019* (Risk Assessment). The Risk Assessment presents the results of the OIG's assessment of the Federal Housing Finance Agency's (FHFA) travel card program for the period July 1, 2018 through June 30, 2019 and follow-up on the OIG's prior audit recommendations.

I am pleased that the OIG found that FHFA's actions to address prior audit recommendations were completed timely. The OIG concluded that the risk of illegal, improper, or erroneous purchases and payments was low, and determined that an audit of the travel card program would not be warranted during fiscal year 2019.

I would like to acknowledge the dedicated OIG staff that worked with us to conduct the assessment. If you have any questions relating to our response, please do not hesitate to call me at (202) 649-3780.

cc: Chris Bosland
Larry Stauffer
John Major

ADDITIONAL INFORMATION AND COPIES.....

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