

# OIG Charge Card Risk Assessment

## Purpose, Scope, and Methodology

**Purpose.** The objective of this risk assessment of Federal Communications Commission’s (FCC) agencywide charge card program was to identify and analyze the risks of illegal, improper, and erroneous uses of its purchase and travel charge cards. The FCC agencywide charge card program includes travel, purchase, and fleet cards. We used this risk assessment as a tool to identify high-risk within the three programs, determine the scope and frequency of audits or reviews, and ensure that OIG’s Office of Audit focuses its limited resources on those programs with the highest risk.

**Scope and Methodology.** The FCC’s annual charge card spending from April 1, 2019 through March 31, 2020 was \$2,606,437. During that period, spending for the purchase, travel, and fleet cards totaled \$765,791 (30 percent), \$1,753,795 (67 percent), and \$86,851 (3 percent), respectively. While FCC’s agencywide charge card program includes three cards, we limited the scope of this risk assessment to the travel and purchase cards because the annual fleet card spending, \$86,851 or 3 percent of the total charge card spending, was immaterial.

To accomplish the objective of our review, we:

1. identified the seven most relevant risk factors affecting the FCC charge card program (discussed in the Risk Rating Assignment section below) and judgmentally developed criteria for evaluating those risk factors,
2. analyzed the FCC’s charge card transactions and spending data for the 12-month period April 1, 2019 through March 31, 2020 to determine the size of the purchase and travel card programs,
3. analyzed purchase and travel card transaction and spending data for the months of October 2017, October 2018, and October 2019 to identify any significant fluctuations in the data,
4. reviewed FCC charge card training policies and procedures and obtained documentation to support implementation of the training requirements,
5. analyzed responses to our internal control questionnaire, and
6. inquired about and obtained documentation to assess information related to charge card violations, audits, and investigations.

This risk assessment was not an audit and, therefore, was not conducted in accordance with generally accepted government auditing standards. 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 mean that illegal, improper, or erroneous activities are occurring. Regardless of the risk assessment results, if the purchase or travel card program were to be audited, the audit team might identify deficiencies through independent testing of charge card data. For example, a charge card program may be assessed low risk based on program documentation, the number of cardholders, the total amount of charge card spending, and other information provided by Commission officials. However, an audit of that charge card program may show that the internal controls outlined in Commission's policy are not being implemented appropriately and that illegal, improper, or erroneous activities exist.

### **Risk Rating Assignment**

In assessing the risk, we used the following risk assessment factors:

1. Program Size,
2. Internal Controls,
3. Violations Reports,
4. Training,
5. Prior Investigations/Open Investigations,
6. Prior Audits/Open Audits, and
7. Transaction Trend Analysis.

We selected these risk assessment factors because we believe they address the most relevant risks in the FCC charge card program. For each of the risk assessment factors, we judgmentally developed criteria for determining a low-risk, medium-risk, or high-risk rating. A brief description of each risk assessment factor and our rationale for assigning a particular risk rating are provided in detail below.

#### *Purchase Card and Travel Card Program Size*

For the Program Size risk factor, we measured risk based on the number of active cardholders and total dollar amount of annual charge card spending. We reviewed the purchase card and travel card transaction detail report for April 1, 2019 through March 31, 2020 to determine the number of active cardholders, amount of charge card spending, and assess risk related to program size. We assigned the program a rating of:

- low risk if annual charge card spending was less than \$5 million and the number of cardholders was less than 250;
- medium risk if annual charge card spending ranged from \$5 million to \$10 million and the number of active cardholders ranged from 250 to 500; and
- high risk if annual charge card spending was more than \$10 million and the number of active cardholders was greater than 500.

### *Internal Controls*

Internal controls provide reasonable assurance that the risks related to the charge card program are prevented or detected in a timely manner. Under the Internal Controls risk factor, we measured the Commission's effectiveness in implementing its agencywide internal control policies and procedures for its charge card program. We reviewed Public Law 112-94 (Charge Card Act), OMB Circular A-123, Appendix B, and FCC charge card policies and procedures to identify the internal control activities that FCC should implement in accordance with the Charge Card Act and OMB Circular A-123, Appendix B. Based on our understanding of the government-wide charge card program requirements, we developed our internal control questionnaire. The questionnaire contains 55 questions categorized into four internal control topical groupings: (1) Charge Card Management Controls, (2) Training, (3) Risk Management, and (4) Payment Process. We evaluated FCC Travel Operations Group's responses to the questionnaire to determine whether FCC effectively implemented internal controls in those four areas. We assigned a rating of:

- low risk if all the required internal control activities were implemented;
- medium risk if at least one but not more than three of the required internal control activities were not implemented; and
- high risk if FCC failed to implement more than three of the required internal control activities.

### *Violations Reports*

A charge card violation report identifies violations involving misuse of the purchase card by FCC employees that result in confirmed fraud, loss to the FCC, or misappropriation of funds or assets. A violation or misuse of the charge card is confirmed following completion of FCC or OIG's review. We inquired with FCC management about any confirmed charge card violations reported during the period April 1, 2019 through March 31, 2020. In evaluating risks associated with Violations Reports, we assigned a rating of:

- low risk if there were no reported instances of charge card violations;
- medium risk if charge card violations were reported and appropriate corrective actions were taken; and
- high risk if charge violations were reported but no corrective actions were taken.

### *Training*

Proper training is integral to the integrity of FCC charge card program because it ensures that employees are aware of and understand key FCC charge card program policies and procedures before assuming their responsibilities as charge card managers or cardholders. In assessing risks related to training, we reviewed FCC Purchase card Directive 1097.4, *Use of Federal Government Purchase Card for Small Purchases*, dated September 30, 2019; *Travel Card Dos and Don'ts*, edition 4, dated December 2018; refresher training emails to cardholders; reminder emails to cardholders; and FCC travel cardholder certifications. We evaluated the

risk related to training 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 policies.

We assigned a rating of:

- low risk if the FCC provided documentation to support the existence of a training program and to support adoption of the training requirements outlined in the Commission's charge card policies;
- medium risk if FCC provided documentation to support the existence of a training program but did not provide evidence to support adoption of the training requirements outlined in the Commission's charge card policies, or vice versa; and
- high risk rating if no documentation was provided to support both the existence of a training program and adoption of the training requirements outlined in the Commission's charge card policies.

#### *Prior Investigations/Open Investigations*

The Prior Investigations/Open Investigations risk factor identifies any investigations performed by OIG's Office of Investigations related to the charge card program. We measured risk for this risk factor based on the frequency of charge card investigations initiated or completed by the OIG's Office of Investigations and the appropriateness of any corrective actions implemented. We met with the Office of Investigations to (1) obtain information regarding any FCC charge card program related investigations that were either initiated, ongoing or completed during the period April 1, 2019 through March 31, 2020, and (2) inquire about any instances of illegal, improper, or erroneous activities in the charge card program. We assigned a rating of:

- low risk if no charge card program related investigations were initiated;
- medium risk if charge card program related investigations were ongoing, or were concluded and appropriate corrective action was implemented; and
- high risk if charge card program related investigations identified an error or fraud, and corrective action was not implemented.

#### *Prior Audits/Open Audits*

The Prior Audits/Open Audits risk factor identifies any oversight work performed by OIG, GAO or other government oversight entities related to FCC's charge card program. We measured risk for this risk factor 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 oversight work that resulted in findings and recommendations. We reviewed the results of previous charge card related audits and inspections from OIG, GAO and other government oversight entities, including the status of any associated audit recommendations, to determine

the frequency of prior oversight work for the FCC charge card program and assess whether appropriate measures were taken to implement any corrective actions for the audit recommendations. We assigned a rating of:

- low risk if a program was audited in the last 10 years and all associated recommendations were fully implemented;
- medium rating if a program was audited in the last 10 years but all associated audit recommendations were not fully implemented; and
- high risk if a program was not audited in the last 10 years.

#### *Transaction Trend Analysis (Purchase Card and Travel Card)*

A Transaction Trend Analysis is a tool that we used to identify fluctuations in the charge card data, which may indicate risk. We reviewed the monthly Purchase Card and Travel Card Transaction Detail Reports for October 2017, October 2018, and October 2019 and performed a trend analysis to identify significant fluctuations (i.e., a 10 percent or greater change) in the total dollar amount of travel card charges, purchase card spending, and purchase and travel card transaction volume. We assigned a rating of:

- low risk if the fluctuation in the number of purchase/travel card transactions and dollar amount of purchase/travel card transactions were 10 percent or less;
- medium risk if the fluctuation in the total dollar amount or number of purchase/travel card transactions was greater than 10 percent; and
- high risk if the fluctuations in both the dollar amount and number of purchase/travel card transactions were greater than 10 percent.

#### *Combined Risk Rating*

To determine the combined risk rating, we assigned a weight of 1, 3 or 5 to the low-risk, medium-risk, and high-risk ratings, respectively, for each of our seven risk assessment factors. Next, we computed the weighted average risk rating by adding the weighted risk ratings for each risk assessment factor and dividing the sum by 10. Our combined risk rating was determined as follows:

- If the weighted average risk rating was 2.5 and below, we assigned a combined risk rating of low;
- If the weighted average risk rating ranged from 2.6 through 3.5, we assigned a combined risk rating of medium; and
- If the weighted average risk rating ranged from 3.6 through 5, we assigned a combined risk rating of high.