



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

JUN 11 2014

The Honorable Edward Drusina, U.S. Commissioner
International Boundary and Water Commission
United States and Mexico, U.S. Section
4171 North Mesa Street, Suite C-100
El Paso, TX 79902-1441

Dear Commissioner Drusina:

Subject: Report on *FY 2013 Risk Assessment of Travel and Purchase Card Programs at the International Boundary and Water Commission* (AUD-CG-14-29)

The Government Charge Card Abuse Prevention Act of 2012¹ (the Act) requires the Office of Inspector General (OIG) to conduct periodic assessments of agency purchase and travel card programs that identify and analyze risks of illegal, improper, or erroneous purchases and payments for use in determining the scope, frequency, and number of periodic audits of these programs. The FY 2013 risk assessment was the first such review conducted of the travel and purchase card programs of the U.S. International Boundary and Water Commission (IBWC). Travel and purchase card program size, internal controls, training, reported violations,² previous OIG audits, and OIG Office of Investigations (OIG/INV) forensic audit observations were considered in assessing the risks.

The risk assessment was not an audit and therefore not conducted in accordance with generally accepted government auditing standards. The results of the risk assessment should not be interpreted to conclude that travel and purchase card programs with lower risk are free of illegal, improper, or erroneous use or internal control deficiencies. Conversely, a higher-risk program may not necessarily signify illegal, improper, or erroneous use—only that conditions are conducive to those activities. Regardless of the risk assessment results, if the travel and purchase card programs were to be audited, a team may identify such issues through independent testing of travel and purchase card data. For example, a purchase card program may be found to be “very low risk” based on documentation and other information provided by agency officials, the number of cardholders, and the total amount of purchase card expenditures. However, an audit of that purchase card program may determine that the controls outlined in an agency’s policy are not being followed and that illegal, improper, or erroneous activity is occurring. The risk assessment was designed to identify the programs where the OIG Office of Audits should focus its limited resources.

¹ Pub. L. No. 112-194.

² Reported violations are applicable only to purchase card programs. Violations are required to be reported if the agency spends more than \$10 million annually.

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The results of the assessment show that the risk of illegal, improper, or erroneous use in the IBWC travel card program is “medium” and for the purchase card program is “low.” As a result, audits of the programs were not recommended for inclusion in the OIG FY 2015 annual audit plan.³

Scope and Methodology

OIG’s Office of Audits performed this risk assessment from March to May 2014. The objective was to assess the risk of illegal, improper, and erroneous use of the purchase and travel card programs to determine the scope, frequency, and number of audits recommended to be conducted. The assessment was conducted using industry standard principles for risk management.⁴ The risk assessment was conducted by Melinda M. Perez, Director, Contracts and Grants Division, and Beverly J.C. O’Neill, Audit Manager, Contracts and Grants Division.

Assessment Criteria

To conduct the risk assessment, OIG reviewed FY 2013 charge card data, documentation, and information provided from IBWC officials; however, OIG did not independently verify or validate the data obtained from agency officials. We assessed the travel card program based on four criteria and the purchase card program on five criteria. The criteria are described in the paragraphs that follow.

Internal Controls. Using the criteria identified in the Act and Office of Management and Budget (OMB) Circular No. A-123,⁵ internal controls were assessed for the travel card and purchase card programs. The travel card program was assessed for 28 general controls and 18 controls specific to travel card programs (46 total controls), and the purchase card program was assessed for the same 28 general controls and 29 controls specific to purchase card programs (57 total controls). A rating of “lower,” “medium,” or “higher” was assigned based on documented compliance with required controls.

Training. The travel card and purchase card programs were assigned a rating of “lower,” “medium,” or “higher” based on the availability of training and the incorporation of training in policy for each program.

Previous OIG Audits. Results of previous audits, as well as the statuses of implementation of recommendations, were reviewed for each travel card and purchase card program. A program that had not been audited was assigned a “higher” rating, and the same rating was assigned for an audit that had been conducted more than 10 years ago. A “lower”

³ The results of the risk assessment do not preclude OIG from reviewing IBWC’s travel card or purchase card programs during FY 2015 or at any other time.

⁴ “Enterprise Risk Management – Integrated Framework Executive Summary,” Committee of Sponsoring Organizations of the Treadway Commission, Sept. 2004, and “Risk Assessment in Practice,” Deloitte & Touche LLP, Oct. 2012.

⁵ OMB Circular No. A-123, “Management’s Responsibility for Internal Control,” App. B, “Improving the Management of Government Charge Card Programs,” Jan. 15, 2009.

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rating was assigned when a program had been recently audited and recommendations had been implemented. A “medium” rating was assigned for programs that had been audited recently but for which recommendations had not been fully implemented. The ratings were mitigated if documentation of meaningful internal reviews (conducted by the agency) was provided.

OIG/INV Forensic Audit Observation. Ratings of “lower,” “medium,” or “higher” were assigned for each travel card and purchase card program based on input from OIG/INV forensic auditors. We met with the OIG/INV forensic audit manager to discuss the progress in using data mining to review travel card and purchase card transactions for IBWC. The information provided by OIG/INV may have included results of its analyses and interviews with the agency officials responsible for the travel and purchase card programs. Details related to each program are described in the Results of Risk Assessment section of this report.

Violation Reports. Violation reports were considered only for the purchase card program, as these reports are required when a purchase card program spends more than \$10 million per year.⁶ A rating of “lower” was assigned if a report was provided and a lower number of violations had been reported.⁷

Impact and Likelihood

Impact refers to the extent to which a risk event might affect IBWC, and likelihood represents the possibility that a given event might occur. We used the dollars spent in each travel card and purchase card program to determine an impact rating of “lower,” “medium,” or “higher” and the number of cardholders in each program to determine a likelihood rating of “lower,” “medium,” or “higher.” The rating criteria are shown in Table 1.

Table 1. Impact and Likelihood Ratings

| Rating | Impact | Likelihood |
|---------------|-----------------------------|----------------------------|
| Lower | Less than \$1 million | Fewer than 250 cardholders |
| Medium | \$1 million to \$10 million | 250 to 500 cardholders |
| Higher | More than \$10 million | More than 500 cardholders |

Source: OIG developed based on review of multiple sources, including industry standard principles for risk management.

The impact and likelihood ratings were compared to determine a single “factor” that was used in the final overall risk assessment for each travel card and purchase card program. We plotted the impact and likelihood ratings on a chart known as a “heat map,” which depicts the intersections of the lower, medium, and higher ratings, to determine a rating for the impact and likelihood factor. The heat map is shown in Table 2.

⁶ OMB M-13-21, “Implementation of the Government Charge Card Abuse Prevention Act of 2012,” Sept. 6, 2013.

⁷ IBWC’s purchase card program did not meet the minimum requirements for reporting violations and was therefore given a rating of “n/a,” as shown in the Results of Risk Assessment section of this report.

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Table 2. Impact and Likelihood Factor Heat Map

| | | Factor | | |
|---------------|--------|-------------------|--------|-----------|
| | | Medium | High | Very High |
| Impact Rating | Higher | Medium | High | Very High |
| | Medium | Low | Medium | High |
| | Lower | Very Low | Low | Medium |
| | | Lower | Medium | Higher |
| | | Likelihood Rating | | |

Source: OIG developed based on review of industry standard principles for risk management.

Final Risk Assessment

OIG combined the individual criteria ratings to form an overall combined rating and used this rating with the impact and likelihood factor to determine the final risk assessments for IBWC’s travel and purchase card programs. Specifically, we used the final assessment heat map shown in Table 3 to arrive at the overall risk assessment ratings.

Table 3. Final Assessment Heat Map

| | | Final Rating | | |
|------------------------------|-----------|--------------------------|--------|-----------|
| | | Medium | High | Very High |
| Impact and Likelihood Factor | Very High | Medium | High | Very High |
| | High | Medium | High | Very High |
| | Medium | Low | Medium | High |
| | Low | Very Low | Low | Medium |
| | Very Low | Very Low | Low | Medium |
| | | Low | Medium | High |
| | | Combined Criteria Rating | | |

Source: OIG developed based on review of industry standard principles for risk management

Results of Risk Assessment

The results of the assessment show that the risk of illegal, improper, or erroneous use in IBWC’s travel card program is “medium” and for the purchase card program is “low.” As a result, audits of the programs were not recommended for inclusion in the OIG FY 2015 annual audit plan.⁸ Although audits of the programs are not planned, OIG suggests that both travel card and purchase card program managers take appropriate actions to ensure and improve oversight of the programs. The individual program results are described in the sections that follow.

International Boundary and Water Commission Travel Card

Criteria Ratings. According to documentation and information provided by the IBWC travel card office, OIG determined that the travel card program’s compliance with required internal controls was generally “moderate.” IBWC’s documentation did not always demonstrate complete compliance with the internal control criteria—overall only 30 percent were in compliance (14 of 46 controls). However, because of the language of the criteria for some of the

⁸ The results of the risk assessment do not preclude OIG from reviewing IBWC’s travel card or purchase card programs during FY 2015 or at any other time.

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controls, IBWC’s internal controls were not necessarily noncompliant. For example, one of the internal control requirements is to implement split disbursements for travel card programs, but the criteria language does not state specifically that the requirement must be documented. However, criteria language for other internal controls states that the internal controls must be documented in an agency’s policy. This individual internal control was rated “medium” because IBWC did not have documentation showing that split disbursements were implemented, but IBWC also did not have evidence showing that the split disbursements had not been implemented. Overall, 67 percent of the internal controls (31 of 46) were rated “medium,” which includes the travel card-specific controls that all (18 of 18 controls) were rated “medium.” As a result, the internal controls criterion was rated “medium.” The availability of training and the incorporation of training in policy were rated “higher” because IBWC’s travel card policy did not include training requirements. Instead, cardholders were notified via email of the requirements. The IBWC travel card program had not been audited by OIG; therefore, the program was rated “higher” for this criterion. OIG/INV forensic auditors had only recently requested access to the IBWC travel card data and had not made any observations for consideration in this assessment. Because of this limited information, a rating of “medium” was assigned to the program for this criterion. The individual criteria ratings and overall combined rating are shown in Table 4.

Table 4. Criteria Summary

| Criteria | Rating |
|-------------------|---------------|
| Internal Controls | Medium |
| Training | Higher |
| Prior OIG Audits | Higher |
| OIG/INV Input | Medium |
| Combined | High |

Source: OIG generated based on analysis of information and documentation as described in the “Scope and Methodology” section of this report.

Impact and Likelihood Factor. The IBWC travel card office reported that in FY 2013, IBWC spent a total of approximately \$310,000 (\$40,000 centrally billed accounts (CBA) and \$270,000 individually billed accounts (IBA)), which was attributed to 129 total cardholders (1 CBA and 128 IBAs). The impact and likelihood factor, shown in Table 5, reduced the risk associated with the IBWC travel card program.

Table 5. Impact and Likelihood Factor

| | | Rating |
|-------------------|-----------------|---------------|
| Impact | \$310,000 | Lower |
| Likelihood | 129 cardholders | Lower |
| Factor | Very Low | |

Source: OIG generated based on analysis of information and documentation as described in the Scope and Methodology section of this report.

Final Risk Assessment. The final determination of risk of illegal, improper, or erroneous use in the IBWC travel card program was “medium.” An audit of IBWC’s travel card

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program was not recommended for inclusion in the OIG FY 2015 annual audit plan;⁹ however, OIG suggests that the travel card program manager take appropriate actions to improve oversight of the program. The OIG FY 2014 risk assessment will carefully consider the progress of OIG/INV forensic auditors' data mining efforts.

International Boundary and Water Commission Purchase Card

Criteria Ratings. According to documentation and information provided by the IBWC purchase card office, OIG determined that program compliance with required internal controls was generally “moderate”—overall only 54 percent were in compliance (31 of 57 controls). Similar to the travel card internal control assessment, 42 percent of the overall controls (24 of 57) were rated “medium.” However, unlike the travel card program, the purchase card-specific controls were better, with 59 percent in compliance (17 of 29 controls) and 38 percent of the controls (11 of 29 controls) rated “medium.” As a result, the purchase card program was rated “lower” for this criterion. The availability of training and the incorporation of training in IBWC policy were rated “medium” because the purchase card office had not updated its policy since 2001 and the guidance that was provided at that time provided very little information regarding required training. However, IBWC officials stated that the policy was being updated and was in the process of being approved. The IBWC purchase card program has not been audited by OIG; therefore, the program was rated as “higher.” OIG/INV forensic auditors had only recently requested access to the IBWC travel card data and had not made any observations for consideration in this assessment. Because of this limited information, a rating of “medium” was assigned to the program for this criterion. The IBWC purchase card program did not meet the reporting requirements for violations and was therefore not rated on this criterion. The individual criteria ratings and overall combined rating are shown in Table 6.

Table 6. Criteria Summary

| Criteria | Rating |
|------------------------|----------------------|
| Internal Controls | Lower |
| Training | Medium |
| Prior OIG Audits | Higher |
| OIG/INV Input | Medium |
| Violation Report | n/a |
| <i>Combined</i> | <i>Medium</i> |

Source: OIG generated based on analysis of information and documentation as described in the Scope and Methodology section of this report.

Impact and Likelihood Factor. The IBWC purchase card office reported that in FY 2013, IBWC spent approximately \$1.6 million, which was attributed to 27 cardholders. The impact and likelihood factor, shown in Table 7, reduced the risk associated with the IBWC purchase card program.

⁹ The results of the risk assessment do not preclude OIG from reviewing IBWC’s travel card program during FY 2015 or at any other time.

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Table 7. Impact and Likelihood Factor

| | | |
|-------------------|----------------|---------------|
| Impact | \$1.6 million | Rating |
| Likelihood | 27 cardholders | Medium |
| Factor | Lower | |

Source: OIG generated based on analysis of information and documentation as described in the Scope and Methodology section of this report.

Final Risk Assessment. The final determination of risk of illegal, improper, or erroneous use in the IBWC purchase card program was “low.” An audit of IBWC’s purchase card program was not recommended for inclusion in the OIG FY 2015 annual audit plan;¹⁰ however, OIG suggests that the purchase card program manager take appropriate actions to ensure and improve oversight of the program. The OIG FY 2014 risk assessment will carefully consider the progress of OIG/INV forensic auditors’ data mining efforts.

This report was provided for informational purposes, and a response is not required. OIG appreciates the cooperation and assistance provided by your staff during this risk assessment. If you have any questions, please contact me by email at [Redacted] (b) (6)@state.gov or Melinda M. Perez, Division Director, by email at [Redacted] (b) (6)@state.gov.

Sincerely,



Norman P. Brown
Assistant Inspector General
for Audits

cc: USIBWC – Diana C. Forti

¹⁰ The results of the risk assessment do not preclude OIG from reviewing IBWC’s purchase card program during FY 2015 or at any other time.