



Office of Inspector General

U.S. Consumer Product Safety Commission

Risk Assessment of the CPSC's Charge Card Programs

December 21, 2018

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 OIG.

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; and

Work together to address Government-wide issues.



Office of Inspector General
U. S. Consumer Product Safety Commission

December 21, 2018

TO: Ann Marie Buerkle, Acting Chairman
Robert S. Adler, Commissioner
Elliot F. Kaye, Commissioner
Dana Baiocco, Commissioner
Peter A. Feldman, Commissioner

FROM: Christopher W. Dentel, Inspector General

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

I am pleased to present this report containing the results of our Risk Assessment of the Consumer Product Safety Commission's Charge Card Programs. The Government Charge Card Abuse Prevention Act of 2012 requires us to conduct periodic assessments of agency purchase card programs (including convenience checks) to analyze risk. We then use these risk assessment results to determine the scope, frequency, and number of audits we need to conduct over the agency's charge card programs.

We conducted this risk assessment in accordance with the Council of Inspectors General on Integrity and Efficiency *Quality Standards for Inspections and Evaluations*.

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 low for the purchase and fleet card programs and medium for the travel card program.

While we determined the risk of the charge card programs was low or medium, the assessment should not be interpreted to mean that the programs are free from illegal, improper, or erroneous purchases and payments or that the risk assessment will remain unchanged.

Thank you for the courtesy and cooperation extended to my staff during the risk assessment.



**Risk Assessment of the CPSC's
Charge Card Programs
Summary**

December 20, 2018

Objective	Assessment
<p>The objective of this risk assessment is to assess risks associated with the U.S. Consumer Product Safety Commission's (CPSC) charge card programs.</p> <p>Background</p> <p>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.</p> <p>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.</p>	<p>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 low for the purchase and fleet card programs and medium for the travel card program.</p> <p>OIG considered the following factors in its risk assessment of the CPSC's charge card programs (1) program size relative to the agency's budget, (2) program internal controls, (3) prior program audit recommendation implementation, (4) the number of substantiated allegations of misconduct or mismanagement involving each program, and (5) program compliance with laws and regulations.</p> <p>While we determined the risks associated with the charge card programs were low or medium, this assessment should not be interpreted to mean that the programs are free from illegal, improper, or erroneous purchases and payments or that the risk assessment will remain unchanged.</p>
<p>The report addresses:</p> <p>CPSC Cross-Cutting Strategic Priority #1:</p> <p><i>Operational Excellence: Enhance financial stewardship</i></p> <p>OIG Management Challenge #2:</p> <p><i>Adequacy of Internal Controls</i></p>	

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Abbreviations and Short Titles

Appendix B	OMB Circular A-123, Appendix B, <i>Improving the Management of Government Charge Card Programs</i>
Charge Card Act	The Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194
CPSC	U.S. Consumer Product Safety Commission
M-13-21	OMB Memorandum M-13-21, <i>Implementation of the Government Charge Card Abuse Prevention Act of 2012</i>
OIG	Office of Inspector General
OMB	Office of Management and Budget

Objective

The objective of this risk assessment is to assess risks associated with the U.S. Consumer Product Safety Commission's (CPSC) charge card¹ programs.

Background

The Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194 (Charge Card Act) 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 purchase card programs. In accordance with the Charge Card Act, OIGs should report 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 and does not mandate that a review be performed over government fleet cards. 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.²

Office of Management and Budget (OMB) Memorandum 13-21 (M-13-21) *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, states that under the Charge Card Act, OIGs will, at a minimum, conduct periodic risk assessments of agency purchase cards (including convenience checks), and travel card programs to analyze the risks of illegal, improper, or erroneous purchases.

¹ OMB Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs* (Appendix B) defines the term "charge card" as including one or more purchase, travel, and/or fleet cards. Travel charge cards are issued as either individually billed accounts with individual liability or as centrally-billed accounts to the agency with government liability.

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

Risk Assessment

OIG considered the following factors in its risk assessment of the CPSC's charge card programs (1) program size relative to the agency's budget, (2) program internal controls, (3) prior program audit recommendation implementation, (4) the number of substantiated allegations of misconduct or mismanagement involving the program, and (5) program compliance with laws and regulations. OIG used the following scoring to determine risk for each factor.

Table 1: Scoring Guide

Criteria	Low	Medium	High
Percentage of Agency Budget	< 5 %	5 - 10 %	> 10 %
Internal Controls Met	Controls implemented & plan submitted	Most controls implemented & plan incomplete	Controls not implemented &/or plan not submitted
Recommendations Not Addressed	0	1 - 3	> 3
Number of Allegations Substantiated	0	0	1
Laws/Regulations Not Met	1 - 3	4 - 6	> 7

Source: OIG analysis of CPSC information

The CPSC purchase card program includes convenience checks. However, these are rarely used and none were written during the period under assessment. We confirmed the physical security of the checks by observing the agency's quarterly audit of same.

Program Size

The CPSC's charge card programs expenditures total just over one percent of the agency budget. Information on CPSC expenditures by charge card program are summarized below.

Table 2: Charge Card Information April 1, 2017 – March 31, 2018

	Purchase Cards	Travel Cards	Fleet Cards
Number of Cardholders	170	171	2
Number of Transactions	3,417	2,344	61
Transaction Total	\$ 1,091,829.43	\$ 446,218.54	\$ 4,337.21
CPSC Budget for FY 2018	\$ 126,000,000.00	\$ 126,000,000.00	\$ 126,000,000.00
Average Spending/Card	\$ 6,422.53	\$ 2,609.47	\$ 2,168.61
Average Transaction Value	\$ 319.53	\$ 190.37	\$ 71.10
Percent of CPSC Budget	0.867%	0.354%	0.003%
Financial Risk Assessment	Low	Low	Low

Source: OIG analysis of CPSC information

Program Internal Controls

Appendix B is guidance 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, agencies must develop and maintain a charge card management plan. The management plan should be updated annually and submitted to the OMB not later than January 31st of each calendar year. Charge card plans should include identifying key officials, a process for appointing officials, ensuring credit worthiness, a description of training requirements, and an explanation of how available reports are used for monitoring delinquency, misuse, and performance metrics.

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. The CPSC publishes policies and procedures regarding the government-wide charge card programs in the agency's directives system. The CPSC's service provider for purchase, fleet, and travel cards is U.S. Bank. Purchase cardholders and the Fleet Administrator must upload transaction receipts and other supporting documentation to the U.S. Bank online system for approving official review. Travel cardholders upload receipts to the E2 travel system, where travel vouchers are reviewed by the approving official. The Agency Program Coordinators use monthly reports from U.S. Bank online to monitor charge card program activity, including possible misuse and delinquency. Cardholders, Approving Officials, and Agency Program Coordinators are required to complete training prior to cards being issued.³

The CPSC submitted travel and purchase card plans to OMB on January 29, 2018, in accordance with the deadline. The plans met most of the requirements, however, they did not include summarized compliance and internal control assurance assessments.⁴ There are no specific requirements to develop a fleet card management plan.

³ Between 2013 and 2018, travel card approving officials did not receive training. General Services Administration informed the CPSC that approving officials approving travel vouchers for employees who do not hold a travel card do not need to take training. The CPSC mistakenly applied this guidance to all travel approving officials, even those approving travel for employees using travel cards. Furthermore, the Fleet Manager and Administrator are newly assigned and had not received training as of September 13, 2018.

⁴ The CPSC stated that the omission was an oversight and the information will be included in future charge card management plans.

Table 3: Internal Control Risk Assessment

Program	Internal Control Risk
Purchase	Low
Travel	Medium
Fleet	Medium

Source: OIG analysis of CPSC information

Prior Program Audit Recommendation Implementation

OIG oversaw an audit of the CPSC’s travel program.⁵ The contractor concluded that although the CPSC had made great strides in regards to compliance and internal control over its travel program, areas of non-compliance were identified. There was insufficient training, delegation of authority, documentation, and control in the CPSC’s travel program. At the time of fieldwork for this risk assessment, the CPSC had implemented corrective actions and addressed one of two recommendations. The outstanding recommendation relates to the training of approving officials, as detailed in footnote three.

OIG staff conducted an audit of the purchase card program.⁶ The findings included ineffective internal controls, noncompliance with laws, regulations, CPSC policies and procedures related to safeguarding property, and noted the annual review process could use improvement. The CPSC has taken corrective actions and satisfactorily addressed all of the recommendations.

OIG has not yet audited the fleet card program.

Table 4: Implementation of Prior Audit Recommendations

Program	Recommendations Implemented
Purchase	Low
Travel	Medium
Fleet	Low

Source: OIG analysis of CPSC information

Charge Card Program Substantiated Allegations

There were no substantiated allegations of misconduct or mismanagement involving any charge card program reported to the OIG for the period April 1, 2017, to March 31, 2018.

⁵ Kearney & Company [FY 2014 Travel Program Audit Report](#), issued April 21, 2016

⁶ [Audit of the Government Purchase Card Program](#), issued March 29, 2017

Table 5: Charge Card Substantiated Allegations

Program	Substantiated Allegations
Purchase	Low
Travel	Low
Fleet	Low

Source: OIG analysis of CPSC information

Compliance with Laws and Regulations

The Charge Card Act, Appendix B, and M-13-21 outline requirements for agencies to help reduce the risk of fraud, waste, and error within government charge card programs. Table 6 reflects the CPSC’s compliance with these charge card program requirements.

Table 6: Compliance with Charge Card Program Requirements

Charge Card Program Requirements	Purchase Cards	Travel Cards	Fleet Cards
Each agency head shall 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. In accordance with requirements of M-13-21, the certification should be included as part of, the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982.	Yes	Yes	Yes
An agency should summarize the overall results in the completed compliance summaries and internal control assurance assessments in the annual Charge Card Management Plan due January 31st in accordance with the requirements of M-13-21.	No	No	N/A
Maintain and annually submit Charge Card Management Plans, due January 31st in accordance with the requirements of Appendix B and M-13-21.	Yes	Yes	Yes
Maintain written policies and procedures for the appropriate use of charge cards in accordance with the requirements of the Charge Card Act and Appendix B.	Yes	Yes	Yes
Charge card managers must review their agency's refund agreement in accordance with the requirements of the Charge Card Act and Appendix B.	No	No	No
Charge card managers should conduct internal charge card program reviews on a regular basis to ensure internal control mechanisms are adequate in accordance with the requirements of Appendix B.	Yes	Yes	Yes
Charge card managers should perform periodic reviews of the number of charge card accounts in use for appropriateness of number as well as evaluating the span of control for approving officials in accordance with the requirements of the Charge Card Act and Appendix B.	Yes	Yes	No
Agencies must periodically evaluate the effectiveness of the controls put in place to mitigate the risks of payment delinquencies and charge card misuse in accordance with the requirements of Appendix B.	Yes	Yes	Yes
Promptly resolve implementation of corrective action plans in accordance with the requirements of M-13-21 and OMB Circular No. A-50.	Yes	No	N/A
Appropriate training is provided to each charge card holder and Approving Official in accordance with Appendix B.	Yes	No	No
Qualitative Risk Assessment	Low (2)	Medium (4)	Medium (3)

Source: OIG analysis of CPSC information

Conclusion

Based on OIG criteria we concluded the risk of illegal, improper, or erroneous purchases and payments made through the CPSC’s charge card programs during the period under assessment was low for the purchase and fleet card programs and medium for the travel card program. OIG based its conclusion on the charge card programs’ size, internal controls, previous audit recommendation implementation, 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.

Summary results are shown below.

Table 7: Summary Risk Assessment Results

Criteria	Purchase Cards	Travel Cards	Fleet Cards
Program Size	Low	Low	Low
Internal Controls Review	Low	Medium	Medium
Audit Recommendation Implementation	Low	Medium	Low
Investigations	Low	Low	Low
Compliance with Laws and Regulations	Low	Medium	Medium
Summary Assessment	Low	Medium	Low

Source: OIG analysis of CPSC information

Appendix A: Scope and Methodology

Scope

The scope of the risk assessment is charge card activity from April 1, 2017, to March 31, 2018 by the CPSC. The risk assessment was performed from July through September 2018 at the CPSC headquarters in Bethesda, Maryland.

Methodology

To accomplish the risk assessment objective we:

- reviewed applicable laws and regulations
- determined the dollar amounts and applicable statistical information for the CPSC's charge card programs
- reviewed charge card program internal controls including CPSC directives and standard operating procedures
- reviewed prior audits to determine the status of recommendations
- consulted with investigative staff to determine the status of charge card allegations and investigations
- determined whether the CPSC has maintained and annually submitted 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

We conducted this risk assessment in accordance with the Council of Inspectors General on Integrity and Efficiency *Quality Standards for Inspections and Evaluations*. These standards require that the collection of information and data will be focused on the organization, program, activity, or function being inspected, consistent with the inspection objectives, and will be sufficient to provide a reasonable basis for reaching conclusions. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objective.

Appendix B: Agency Response

The OIG presented agency management with the draft report on December 12, 2018. Management provided their concurrence to the results of this risk assessment via email on December 17, 2018. Management also indicated they did not wish to hold a formal exit conference.

CONTACT US

If you want to confidentially report or discuss any instance of misconduct, fraud, waste, abuse, or mismanagement involving the CPSC's programs and operations, please contact the CPSC Office of Inspector General.



Call:

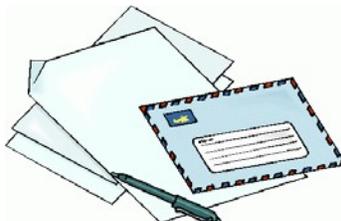
Inspector General's HOTLINE: 301-504-7906

Or: 1-866-230-6229



Click [here](#) for complaint form.

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Or Write:

Office of Inspector General
U.S. Consumer Product Safety Commission
4330 East-West Highway, Room 702
Bethesda MD 20814