

# Department of Homeland Security **Office of Inspector General**

## **Fiscal Year 2013 Risk Assessment of DHS Charge Card Abuse Prevention Program**





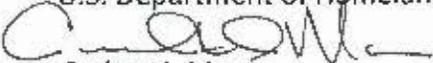
## OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

January 29, 2014

MEMORANDUM FOR: Chip Fulghum  
Acting Chief Financial Officer  
U.S. Department of Homeland Security

FROM:   
Carlton I. Mann  
Chief Operating Officer

SUBJECT: *Fiscal Year 2013 Risk Assessment of DHS Charge Card Abuse Prevention Program*

Attached for your information is our final letter report, *Fiscal Year 2013 Risk Assessment of DHS Charge Card Abuse Prevention Program*. This report contains no recommendations.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Major contributors to this report are Sandra John, Director; John Shiffer, Audit Manager; Ralleisha Dean, Auditor; David Lu, Program Analyst, and Kevin Dolloson, Communications Analyst.

Please call me with any questions, or your staff may contact Mark Bell, Acting Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



## **Background**

On October 5, 2012, the President signed into law *The Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law 112-194, which reinforced the Administration's efforts to prevent waste, fraud, and abuse of Government-wide charge card programs. Consistent with existing guidance in Office of Management and Budget (OMB) Circular No. A-123, Appendix B, Revised, *Improving the Management of Government Charge Card Programs*, and OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, the Charge Card Act requires all executive branch agencies (agencies) to establish and maintain safeguards and internal controls for purchase - , travel - , and centrally billed accounts.

Under the Charge Card Act and OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, our office is required to conduct periodic risk assessments of agency purchase cards (including convenience checks), combined integrated card programs, and travel card programs to analyze the risks of illegal, improper, or erroneous purchases and payments. Inspectors General (IGs) will use these risk assessments to determine the necessary scope, frequency, and number of IG audits or reviews of these programs. Also, we are required to report to the Director of OMB 120 days after the end of each fiscal year on the Department's progress in implementing audit recommendations, and beginning with fiscal year (FY) 2013, the submission is due by January 31, 2014. This report satisfies the reporting requirement for FY 2013.

The travel, purchase, and fleet charge cards provide the Department of Homeland Security (Department or DHS) with an efficient mechanism for making small purchases, as well as other numerous benefits. The Purchase Card Program provides an efficient, low-cost, procurement and payment mechanism to acquire goods and services, which significantly streamlines traditional Federal procurement and payment processes. The Travel Card Program saves taxpayers millions of dollars by reducing administrative costs and providing for rebates. The Fleet Card program allows DHS to reduce administrative costs to recover state and local taxes, and to collect detailed fleet management data regarding fuel, related maintenance and service procurements. DHS conducts a large volume of its business through the use of Government charge cards. Table 1 shows the Department's total charge card spending for FY 2012 and 2013.



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Table 1: DHS FY 2012 and 2013 Charge Card Spend Totals

Charge Card Program	FY 2012 Spend Value	FY 2013 Spend Value
Purchase	\$480,886,557	\$438,639,214
Travel	\$668,145,729	\$589,677,713
Fleet	\$228,101,894	\$198,433,965
<b>Total</b>	<b>\$1,377,134,180</b>	<b>\$1,226,750,892</b>

Source: DHS OIG compilation of DHS data

The DHS Office of Inspector General (OIG) has issued several reports related to internal controls over purchase cards within the last 4 years. In our report, *Improving FEMA's Disaster Purchase Card Program* (OIG-10-91, issued May 2010), we determined that FEMA needed to improve disaster purchase card guidance and strengthen disaster purchase card internal controls. We made four recommendations for improving FEMA's disaster purchase card program. Three of the four recommendations are closed and one remains open and resolved.

In *Use of DHS Purchase Cards* (OIG-11-101, issued August 2011), we determined the Department generally had an effective internal control framework developed, but it needed to improve specific, internal control procedures to mitigate the inherent risks associated with purchase card use. We made three recommendations to improve the Department of Homeland Security's internal controls and oversight of its purchase card program. The Chief Financial Officer agreed with our recommendations and initiated corrective actions. All three recommendations are closed.

*FEMA Can Improve Its Purchase Controls at Joint Field Offices* (OIG-13-77, issued April 2013), identified that FEMA did not have adequate internal controls over the acquisition process, which resulted in insufficient program oversight, the purchase of unnecessary items, and missed opportunities for cost savings. Some of the conditions might have been avoided if FEMA had implemented corrective actions that we previously identified. We made two recommendations to assist FEMA in its management and oversight of response and recovery operations. Both recommendations are open and unresolved. The OIG is waiting for additional information on actions taken by FEMA before the recommendations can be closed.

## Results of Review

DHS has established internal controls and safeguards for purchase, travel, and integrated cards; as well as centrally billed accounts.

In most instances, DHS had an adequate framework for internal controls to manage its charge card program. Although the Department has established internal controls for its



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charge card programs, the Components did not always follow DHS' procedures, and they did not always have procedures in place to supplement those developed by DHS. The Department needs to improve its implementation of internal controls to mitigate the inherent risks associated with the use of charge cards. For example, the Department needs to strengthen its post payment audit process to ensure that Component personnel are complying with appropriate charge card internal controls.

One Component uses the DHS Charge Card Manual as their primary guidance, while others maintain their own guidance and use the DHS manual as an overarching policy. The Department needs to ensure that the DHS Charge Card Manual and current Components' guidance are consistent and address all OMB regulatory requirements. We assessed the risk that the Department's internal controls over the charge card programs will not prevent illegal, improper, or erroneous purchases. Table 2 below shows our assessment of the Department's internal control and risk over its charge card programs.

Table 2: Internal Control and Risk Assessment

<b>Charge Card Program</b>	<b>Internal Control Assessment</b>	<b>Risk Assessment</b>
Purchase	Strong	Moderate
Travel	Strong	Moderate
Fleet	Adequate	Moderate

Source: DHS OIG analysis of DHS data

Based upon the results of our procedures, we determined that there is a moderate level of risk that DHS' internal controls over the charge card programs will not prevent illegal, improper, or erroneous purchases.



## **Appendix A**

### **Objectives, Scope, and Methodology**

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

*The Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law 112-194, 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. Our review objective was to assess the level of risk associated with the design of internal controls implemented to prevent illegal, improper, or erroneous purchases and payments.

We evaluated DHS Office of Chief Financial Officer's (CFO) internal controls over the charge card program to identify the level of risk within the program. We conducted interviews with CFO personnel directly involved with implementing and monitoring the charge card program. We reviewed the CFO's strategic plan, policies, and operational procedures for the charge card program as well as any documents and reports that may assist us in answering our objective.

We conducted this risk assessment between November 2013 and January 2014 pursuant to the *Inspector General Act of 1978*, as amended.



## **Appendix B**

### **Report Distribution**

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