



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



January 28, 2015

Shaun Donovan
Director
Office of Management and Budget
725 17th Street NW
Washington, DC 20503

Dear Mr. Donovan:

This letter describes the work that the Department of Health and Human Services, Office of Inspector General (HHS OIG) has conducted for fiscal year (FY) 2013 to meet the requirements of the Government Charge Card Abuse Prevention Act of 2012 (P.L. No. 112-194) (Charge Card Act). Although it is not required, we also explain how we conducted the Charge Card Act annual risk assessment.

First, the Charge Card Act and OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require executive-branch agencies (agencies) to be aware of charge-card-related audit findings and to ensure that the findings are promptly resolved after completion of an audit. In addition, Offices of Inspector General (OIGs) must report to the Director of the Office of Management and Budget (OMB) no more than 120 days after the end of each FY on their agencies' progress to implement audit recommendations. We did not issue any evaluations or audit reports related to HHS's charge card program during FY 2014.¹

Second, agencies must establish and maintain safeguards and internal controls for the charge card program.² OIGs are required to conduct annual risk assessments of agency purchase cards (including convenience checks³), combined integrated card programs, and travel card programs to analyze the risks of illegal, improper, and erroneous purchases. OIGs must report to the heads of their agencies on the results of their analyses. Further, for agencies with more than \$10,000,000 in travel card spending, OIGs must conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments.

After the issuance of OMB M-13-21 on September 6, 2013, we performed our first risk assessment required under the Charge Card Act. We will use the findings of our annual risk

¹ The charge card program includes purchase, travel, integrated, and centrally billed Government credit cards.

² The Charge Card Act also includes provisions that agencies and OIGs are responsible for beyond what is addressed in this report. For example, the agency head and OIG are required to prepare a semiannual Joint Purchase and Integrated Card Violation Report due on January 31 and July 31.

³ Convenience checks are used in the purchase card program to make purchases from merchants who do not accept purchase cards.

assessment to determine the necessary scope, frequency, and number of audits of HHS's various charge card programs.

Audit Recommendations Status Report

As stated in our January 30, 2014, letter to OMB, we closed all recommendations related to purchase and travel card audits. We did not issue any evaluations or audit reports related to HHS's charge card program during FY 2014; therefore, no recommendations are currently open.

Annual Risk Assessment

Pursuant to the Charge Card Act, we performed a risk assessment of HHS's charge card program for FY 2013. To assess HHS's ability to manage internal controls for and risk in its charge card program, we used the Enterprise Risk Management–Integrated Framework (ERM) developed by the Committee of Sponsoring Organizations of the Treadway Commission.⁴ The ERM consists of eight interrelated components that are derived from the way management runs an organization: internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring. We based our risk-assessment tool on ERM concepts. The ERM provides a common language, concepts, and principles that facilitate targeting the riskiest organizations and transactions to audit, study, and investigate.

As part of our risk assessment, we identified the controls, procedures, and practices that, if present and functioning properly, indicate that associated risk of inappropriate transactions is at an acceptable level. Our assessment included five operating divisions that accounted for 98 percent of HHS purchasing and 90 percent of travel card expenditures. We evaluated the likelihood of a risk event occurring and the magnitude of the impact. We used the results of the risk assessment to identify high-risk and high-impact areas warranting an audit,⁵ study, or investigation. Finally, we discussed the results of our risk assessment with the Purchase Card Program Manager at HHS's Assistant Secretary for Financial Resources (ASFR) and with the Deputy Director, Administrative Operations Portfolio, at HHS's Program Support Center (PSC).⁶

On the basis of our risk assessment, we plan to audit the operating division that we identified as having the highest risk of inappropriate purchase and travel card transactions. We also plan to conduct followup risk assessments of areas we identified as having vulnerabilities and operating divisions not included in our 2013 risk assessment.

⁴ The Committee of Sponsoring Organizations of the Treadway Commission is a joint initiative of five private-sector organizations dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal controls, and fraud deterrence designed to improve organizational performance and governance and to reduce the extent of fraud in organizations.

⁵ HHS met the \$10 million threshold in travel card spending to have periodic audits or reviews conducted of its travel card program. HHS spent approximately \$59 million in FY 2013 for travel card purchases.

⁶ In a letter dated October 24, 2011, the Secretary of HHS delegated authority for acquisition and grants administration to ASFR and PSC.

Summary

During FY 2014, we issued no evaluation or audit reports; as such, no open purchase and travel card recommendations require an HHS response. However, as required by the Charge Card Act, we performed a risk assessment of the HHS charge card program. We will modify our work plan to address the results of this risk assessment.

If you have any questions or concerns regarding this letter, please do not hesitate to call me, or your staff may contact Kay Daly, Assistant Inspector General for Audit Services, at (202) 619-1157 or through email at Kay.Daly@oig.hhs.gov. Please refer to number A-04-14-06175 in all correspondence.

Sincerely,

/Gloria Jarmon/
Deputy Inspector General for Audit Services

cc:
David Mader
Controller
Office of Management and Budget