



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



January 29, 2016

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

Dear Mr. Donovan:

This letter describes the progress that the Department of Health and Human Services (HHS) has made in implementing previous purchase and travel card audit recommendations and the status of the HHS Office of Inspector General (HHS OIG) annual risk assessment. This letter is being issued 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, this letter also explains how we conducted the Charge Card Act annual risk assessment.

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 Inspectors 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 fiscal year (FY) on their agencies' progress to implement audit recommendations.

The Charge Card Act also requires agencies to establish and maintain safeguards and internal controls for the charge card program.¹ OIGs are required to conduct annual risk assessments of agency purchase cards, including convenience checks,² 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 million 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.

¹The 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.

² Convenience checks are used in the purchase card program to make purchases from merchants who do not accept purchase cards.

Audit Recommendations Status Report

We did not issue any evaluation or audit reports related to HHS's charge card programs³ during FY 2015, and no recommendations are currently open. However, based on the results of an earlier risk assessment, we have work underway to audit the Indian Health Service's charge card program.

Annual Risk Assessment

Pursuant to the Charge Card Act, we performed a risk assessment of HHS's charge card program for FY 2014.⁴ 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.⁵ 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. 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 for FY 2014, 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 88 percent of HHS purchasing and 75 percent of its travel card expenditures. We evaluated the likelihood of a risk event occurring and the magnitude of the event's impact. We used the results of the risk assessment to identify high-risk and high-impact areas warranting an audit,⁶ study, or investigation.

We assessed the risk of both the travel and purchase card programs. Our travel card program assessment identified an operating division with high risk and warranting an audit. Accordingly, we will take steps to determine the nature and extent of an audit. Our risk assessment of the purchase card program did not identify any HHS operating division with high risk and so did not warrant any further audit, study, or evaluation. We do, however, plan to conduct follow-up risk assessments of areas previously identified as having vulnerabilities and of HHS operating divisions' charge card program not included in our previous risk assessments.

³ The charge card program includes purchase, travel, integrated, and centrally billed Government credit cards.

⁴ This was the most recently completed FY at the time we began our annual risk assessment.

⁵ The Committee of Sponsoring Organizations of the Treadway Commission is a joint initiative of five private-sector organizations dedicated to providing 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.

⁶ 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 \$60 million in FY 2014 for travel card purchases.

If you have any questions or concerns regarding this letter, please do not hesitate to call me, or your staff may contact Carla Lewis, Acting Assistant Inspector General for Audit Services, at (202) 619-1157 or through email at Carla.Lewis@oig.hhs.gov. Please refer to number A-04-15-06185 in all correspondence.

Sincerely

/Gloria Jarmon/
Deputy Inspector General
for Audit Services

cc:
Dan Keenaghan
Senior Policy Analyst
Office of Management and Budget