



DEPARTMENT OF HEALTH AND HUMAN SERVICES

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**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201



January 29, 2018

Mick Mulvaney  
Director  
Office of Management and Budget  
725 17th Street NW  
Washington, DC 20503

Dear Mr. Mulvaney:

The purpose of this letter is to describe the progress that the Department of Health and Human Services (HHS) has made implementing previous charge card audit recommendations and the status of the HHS, Office of Inspector General (OIG) annual risk assessment. Issuing this letter meets the requirements of the Government Charge Card Abuse Prevention Act of 2012 (P.L. No. 112-194) (Charge Card Act). This letter also explains how we conducted the Charge Card Act annual risk assessment even though such an explanation is not required.

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, 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.<sup>1</sup> The charge card program includes purchase, travel, integrated, and centrally billed government credit cards. OIGs are required to conduct annual risk assessments of agency purchase cards, including convenience checks,<sup>2</sup> 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.

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<sup>1</sup>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 to the director of OMB.

<sup>2</sup> 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 evaluations or audit reports related to HHS's charge card programs during FY 2017, and we have no recommendations currently open. However, based on the results of an earlier risk assessment, we are currently auditing the Indian Health Service's travel and purchase card programs and expect to issue both reports in FY 2018.

## **Annual Risk Assessment**

Pursuant to the Charge Card Act, we performed a risk assessment of HHS's charge card program for FY 2016.<sup>3</sup> 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.<sup>4</sup> 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.

In our FY 2013, 2014, and 2015 charge-card-program risk assessments, we looked at all the purchase and travel card expenditures made by 3 staff divisions and 11 operating divisions. We will evaluate additional staff divisions within the Office of the Secretary next fiscal year.

As part of our followup risk assessment for FY 2016, 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. 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, study, or investigation.

Our previous risk assessments of the purchase and travel card programs have identified moderate and high-risk areas within HHS operating divisions that warranted stronger mitigating controls. Our current FY 2016 risk assessment included a followup on the purchase and travel card program risks that we had previously identified in the operating and staff divisions. We found that the operating and staff divisions are implementing or planning to implement steps to help mitigate risk in their respective purchase and travel card programs. We will continue to monitor HHS actions through future risk assessments.

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<sup>3</sup> This was the most recently completed FY at the time we began our annual risk assessment.

<sup>4</sup> 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.

If you have any questions or concerns regarding this letter, please do not hesitate to call me, or your staff may contact Amy J. Frontz, Assistant Inspector General for Audit Services, at (202) 619-1157 or through email at [Amy.Frontz@oig.hhs.gov](mailto:Amy.Frontz@oig.hhs.gov). Please refer to number A-04-17-06215 in all correspondence.

Sincerely,

/Gloria Jarmon/  
Deputy Inspector General  
for Audit Services

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