

Department of Health and Human Services
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Office of Audit Services

April 2025 | A-04-24-02042

Risk Assessment of the Administration for Community Living's Purchase Card Program for Fiscal Year 2022

REPORT HIGHLIGHTS



April 2025 | A-04-24-02042

Risk Assessment of the Administration for Community Living's Purchase Card Program for Fiscal Year 2022

Why OIG Did This Audit

- The Government Charge Card Abuse Prevention Act of 2012 requires Offices of Inspectors General to conduct periodic risk assessments of agency purchase card programs. We selected the Administration for Community Living's (ACL) purchase card program for review to fulfill this mandate.
- We analyzed the risk of illegal, improper, or erroneous purchases and determined whether ACL designed and implemented controls and strategies to mitigate these potential risks.

What OIG Found

Overall, we assessed the risk of illegal, improper, or erroneous purchases in the ACL purchase card program as moderate. Within the 6 risk areas related to ACL's purchase card program, we identified 56 sub-risk areas and rated 21 as low risk, 27 as moderate risk, and 8 as high risk.

ACL Purchase Card Risk and Sub-Risk Areas

Low: Governance and Culture
Sub-Risks: 10 Low 1 Moderate
Low: Strategy and Objective-Setting
Sub-Risks: 2 Low
High: Performance
Sub-Risks: 2 Low 6 Moderate 4 High
Moderate: Review and Revision
Sub-Risks: 2 Moderate 1 High
Low: Information, Communication, and Reporting
Sub-Risks: 4 Low 4 Moderate
Moderate: OMB Compliance Standards
Sub-Risks: 3 Low 14 Moderate 3 High

What OIG Recommends

We recommend that ACL develop mitigating controls and strategies to address the high and moderate risks we identified.

ACL concurred with our recommendation.

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INTRODUCTION

WHY WE DID THIS AUDIT

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), P.L. No. 112-194, requires Offices of Inspectors General to conduct periodic risk assessments of agency purchase card programs, including convenience checks, combined integrated card programs, and travel card programs.¹ These assessments analyze the risks of illegal, improper, and erroneous purchases and payments.

This report contains the results of our risk assessment of the Administration for Community Living's (ACL's) purchase card program for Fiscal Year (FY) 2022. We selected ACL's purchase card program for review to fulfill the Charge Card Act's risk assessment requirement.²

OBJECTIVE

Our objective was to analyze the risk of illegal, improper, or erroneous purchases in the ACL purchase card program and to determine whether ACL has designed and implemented controls and strategies to mitigate these potential risks.

BACKGROUND

Administration for Community Living

ACL was created around the fundamental principle that older adults and people of all ages with disabilities should be able to live where they choose, with the people they choose, and with the ability to participate fully in their communities. Thus, ACL's mission is to maximize the independence, well-being, and health of older adults, people with disabilities across the lifespan, and their families and caregivers.³

ACL participates in the HHS Purchase Card Program to help accomplish its mission. ACL uses purchase cards to purchase supplies, equipment, publications, training, and other miscellaneous items.

¹ Convenience checks are used in the purchase card program to make purchases from merchants that do not accept purchase cards.

² We also have an ongoing risk assessment of ACL's travel card program. We plan to issue a separate report, A-04-24-02043, on the results of that work.

³ ACL's website describes what it does to support older adults and people of all ages with disabilities, <https://acl.gov/>.

Federal Government Purchase Card Program

The General Services Administration's (GSA) SmartPay Program is the world's largest commercial payment solution program, providing services to more than 250 Federal agencies, organizations, and Native American tribal governments.

GSA SmartPay enables authorized government employees to make purchases on behalf of the Federal Government to support their organization's mission. Government account holders use the program to pay for items such as commercial goods and services.

Agencies using the GSA SmartPay purchase card must establish procedures for use and control of the card that are consistent with Federal law and the terms and conditions of the GSA SmartPay contract.

Federal Requirements

The Charge Card Act requires agencies to establish and maintain safeguards and internal controls for the charge card program.⁴ The charge card program includes purchase, travel, integrated, and centrally billed government credit cards.⁵ The Charge Card Act also requires agencies to be aware of charge-card related audit findings and to ensure that the findings are promptly resolved after completion of an audit.

Federal agencies are required to comply with regulations and the Office of Management and Budget (OMB) guidance governing Federal grants. OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* establishes an assessment framework based on the Government Accountability Office's *Standards for Internal Control in the Federal Government* and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Enterprise Risk Management—Integrating with Strategy and Performance* (ERM) that managers must integrate into risk management and internal control functions.⁶

OMB Circular No. A-123 also provides guidance to Federal managers and defines management's responsibilities for enterprise risk management and internal control. The circular emphasizes that integrating and coordinating risk management and strong and effective internal controls into existing business activities are integral to managing an agency.

⁴ Section 2(a) of the Charge Card Act, P.L. 112–194 (enacted Oct. 5, 2012).

⁵ An integrated card is a combination of two or more business lines on a single card (e.g., purchase and travel).

⁶ COSO 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.

OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, supports OMB Circular No. A-123 by directing agencies to use the “Compliance Summary Matrix” to ensure the required safeguards and internal controls are in place. The matrix details the internal control requirements stated in the Charge Card Act.

Enterprise Risk Management

COSO developed the ERM. The ERM framework is a set of principles organized into five interrelated components:

- Governance and Culture;
- Strategy and Objective Setting;
- Performance;
- Review and Revision; and
- Information, Communication, and Reporting.

ERM provides concepts, principles, and a common language that facilitate targeting the riskiest organizations and transactions to audit, study, and investigate.

HOW WE CONDUCTED THIS AUDIT

We performed a risk assessment of ACL’s purchase card program for FY 2022.⁷ To assess ACL’s ability to manage risk in its purchase card program, we used the five components of ERM and the standards derived from the OMB Compliance Matrix (which we refer to in this report as OMB Compliance Standards). Within these 6 risk areas, we identified 56 sub-risk areas that include the following:

1. **Governance and Culture (11)**—human resource practices, workplace ethics, employee behavior, orientation, ethics reporting, availability of policies, reinforce policies, communication channels, whistleblower policy, knowledge and skills, and organizational structure.
2. **Strategy and Objective Setting (2)**—management responsiveness and risk tolerances.
3. **Performance (12)**—incident identification, decentralized operations, past failures, inherent risk, technology usage, technology processes, risk assessment, risk response,

⁷ FY 2022 was the most recent data available when we began our periodic risk assessment. We therefore examined procedures and analyzed purchase card transactions for that fiscal year.

corrective action plans, risk response (control activities), identifying misuse, and reliance on contractors.

4. **Review and Revision (3)**—risk management evaluation, ongoing monitoring results (management considerations), and recurring monitoring.
5. **Information, Communication, and Reporting (8)**—information infrastructure, raw data conversions, timely information, levels of information, data availability, management communication, management involvement, and historical data.
6. **OMB Compliance Standards (20)**—segregation of duties, transactions authorized, transaction classification, records access, document controls, cardholder record, training, cardholder policies, employee separation, adverse personnel action (guidelines), safeguarding assets, convenience checks, reconciling, disputed charges, records retention, purchase card need, cost recovery, penalties, summary of violations, and summary of personnel adverse actions.

We developed a questionnaire to gather data from ACL related to these 56 sub-risk areas. We evaluated ACL's responses to this questionnaire, reviewed documents ACL provided, and conducted interviews with ACL management.

We selected for review a non-statistical sample of 50 purchase card transactions. We selected 30 high-dollar transactions, 15 transactions with sales tax, and 5 transactions of all other types for review.

Using the principles established in COSO's ERM and the OMB Compliance Standards, we assessed the data gathered from the questionnaire and non-statistical sample by assigning a level of risk (low, moderate, high, or critical) to each sub-risk area. The assigned level of risk took into account risk factors such as likelihood of occurrence and severity of impact. The risk factors were assigned a numerical score to arrive at an overall risk rating for the ACL purchase card program.



We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains our audit scope and methodology.

RESULTS OF AUDIT

Overall, we assessed the risk of illegal, improper, or erroneous purchases in the ACL purchase card program as moderate.⁸ However, for the six risk areas we assessed, we rated three as low risk, two as moderate risk, and one as high risk. For the 56 sub-risk areas we assessed, we rated 21 as low risk, 27 as moderate risk, 8 as high risk, and 0 as critical risk (see table below). ACL's 6 risk areas and 56 sub-risk areas can be found in Appendix C.

Table: Risk Levels

ACL Purchase Card Risk and Sub-Risk Areas	
 Low: Governance and Culture	Sub-Risks:  10 Low  1 Moderate
 Low: Strategy and Objective-Setting	Sub-Risks:  2 Low
 High: Performance	Sub-Risks:  2 Low  6 Moderate  4 High
 Moderate: Review and Revision	Sub-Risks:  2 Moderate  1 High
 Low: Information, Communication, and Reporting	Sub-Risks:  4 Low  4 Moderate
 Moderate: OMB Compliance Standards	Sub-Risks:  3 Low  14 Moderate  3 High

GOVERNANCE AND CULTURE

We rated the Governance and Culture risk area as low. Governance sets the organization's tone, reinforcing the importance of, and establishing oversight responsibilities for, ERM. Culture pertains to ethical values, desired behaviors, and an understanding of risk within the entity.

Of the 11 sub-risk areas within Governance and Culture, we rated 10 as low risk and 1 as moderate risk.

We rated *Human Resource Practices, Workplace Ethics, Employee Behavior, Orientation, Ethics Reporting, Availability of Policies, Reinforce Policies, Communication Channels, Whistleblower Policy, and Organizational Structure* as low risk.

⁸ We used the average risk rating for each risk and sub-risk area to calculate a numeric entity rating and to assess overall risk using the heat map in Appendix B.

Some examples of why we rated these sub-risks as low include the following:

- ACL provided support that their structure defines key areas of authority and responsibility and establishes appropriate lines of reporting. They also provided a chart of their organizational structure and a flowchart for the purchase card procure-to-pay cycle.
- ACL developed its own purchase card policies and procedures and made these readily available to employees.
- ACL relied on the expertise and guidance provided by the Office of the Secretary/Office of the Assistant Secretary for Administration/Office of Acquisition Management Services (OAMS), which serves as ACL's Purchase Card Program Manager, to conduct purchase card training sessions and offer advice to both cardholders and Approving Officials (AO). ACL provided documentation to support communication, training updates, and training monitoring from OAMS to ACL's cardholders and AOs.

We rated *Knowledge and Skills* as moderate risk because ACL did not provide a complete record of training certificates for all cardholders and AOs for FY 2022. However, they were able to support OAMS's active engagement in monitoring training completeness for ACL cardholders and AO's.

STRATEGY AND OBJECTIVE-SETTING

We rated the Strategy and Objective-Setting risk area as low. Enterprise risk management, strategy, and objective-setting work together in the strategic planning process. Business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.

Within the Strategy and Objective-Setting risk area, we rated both sub-risk areas, *Risk Tolerances* and *Management Responsiveness*, as low risk.

We rated *Risk Tolerances* as low risk because ACL maintained uniform restrictions across all purchase cards and each cardholder has a single-purchase limit set at \$10,000 or less, which complied with the Federal acquisition regulation's micro-purchase limit.

We rated *Management Responsiveness* as low risk. ACL was responsive to our requests for information during this audit and showed evidence that it worked to improve the agency's purchase card program.

PERFORMANCE

We rated the Performance risk area as high. This area includes identifying and assessing risks that may impact the achievement of strategy and business objectives. Risks should be

prioritized by severity in the context of risk appetite. The organization then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders.

Of the 12 sub-risk areas within Performance, we rated two as low risk, six as moderate risk, and four as high risk.

We rated *Decentralized Operations* and *Reliance on Contractors* as low risk because ACL does not have geographically separated cardholders or allow contractors to be purchase cardholders.

We rated *Past Failures*, *Inherent Risk*, *Technology Usage*, *Risk Response*, *Corrective Action Plans*, and *Risk Response (control activities)* as moderate risk.

Some examples of why we rated these sub-risks as moderate include the following:

- ACL used technology to help prevent improper purchases through the use of the Managing Accounting Credit Card System (MACCS). ACL purchase cardholders used MACCS to manage, track, and reconcile credit card purchases. However, during our transaction testing, we found that 14 of the 50 transactions did not have documentation for the MACCS cardholder reconciliation. ACL stated that staff were not formally trained to use the system.
- ACL provided support that it conducted reviews and mitigated risk related to past failures through corrective action in some years. However, we did not receive the results of reviews conducted for FY 2022.
- For 4 out of 50 transactions, ACL erroneously paid for sales tax on purchases. Purchase card transactions are generally exempt from state and local sales tax. However, some of ACL's software and control activities were insufficient to prevent the payment of sales tax in those transactions.

We rated *Incident Identification*, *Technology Processes*, *Risk Assessment*, and *Identifying Misuse* as high risk. Some examples of why we rated these sub-risks as high include the following:

- ACL stated that before initiating a purchase, a supervisor or designated approver (such as the AO) reviews and signs a form that provides evidence of the necessity for the goods or services. However, 3 out of 50 transactions that we reviewed did not have support that AO preapproval took place, and ACL was not able to provide any documentation for 2 additional transactions. Therefore, we could not always determine if preapproval took place.

- ACL did not conduct a risk assessment of its purchase card program during FY 2022. We also did not receive results of tests conducted as part of ACL's review of its internal controls for FY 2022.
- Of the 50 transactions we reviewed, ACL did not provide any support for 2 purchase card transactions and 14 purchase card transactions were missing support for cardholder reconciliation and AO approval.⁹ Without cardholder reconciliation and AO approval, there is a potential for misuse that ACL may not identify.



REVIEW AND REVISION

We rated the Review and Revision risk area as moderate. By reviewing the performance of entities within an organization, the organization considers how well the ERM components function over time and what revisions are needed as changes occur.

Of the three sub-risk areas within Review and Revision, we rated two as moderate risk and one as high risk.

We rated *Ongoing Monitoring Results (management considerations)* and *Recurring Monitoring* as moderate risk. Some examples of why we rated these sub-risks as moderate include the following:

- ACL focused on conducting transaction reviews as part of their regular monthly review process, but no formal training was provided to cardholders and AOs on using the MACCS. Furthermore, during our review of 50 transactions, 16 transactions had insufficient documentation to determine if cardholder reconciliation and final AO approval occurred in MACCS.
- ACL did not conduct reviews of cardholders based on frequent purchases from the same merchant, despite the Government Purchase Card Program Directive noting that these types of purchases indicate potential misuse.¹⁰ ACL stated it would implement a systematic process to regularly review cardholders who make frequent purchases from the same merchant.

We rated *Risk Management Evaluation* as high risk because ACL did not conduct a risk assessment in FY 2022, and we did not receive the results of any substantive testing for FY 2022.

⁹ Cardholder reconciliation is reviewing all transactions reported by the bank and matching them with the corresponding purchase records.

¹⁰ The Government Purchase Card Program Directive is an HHS manual that provides guidance on government purchase card policies and procedures.

INFORMATION, COMMUNICATION, AND REPORTING

We rated the Information, Communication, and Reporting risk area as low. According to the ERM, an organization should have a continual process of obtaining and sharing necessary information from both internal and external sources across the organization.

Of the eight sub-risk areas within Information, Communication, and Reporting, we rated four as low risk and four as moderate risk.

We rated *Timely Information*, *Levels of Information*, *Management Communication*, and *Management Involvement* as low risk because ACL used the MACCS, which allowed cardholders and approving officials to conduct monthly reviews and reconciliations in real-time. Also, ACL actively engaged in communication with OAMS as their purchase card program manager.

We rated *Information Infrastructure*, *Raw Data Conversions*, *Data Availability*, and *Historical Data* as moderate. Some examples of why we rated these sub-risks as moderate include the following:

- ACL used MACCS to capture information and to track and account for credit card purchases, but it did not always have the MACCS data available for the transactions we reviewed.
- ACL was unable to compare current data with historical records or generate reports from historical data to identify anomalies because MACCS does not have that capability. In addition, ACL had not implemented alternative procedures to overcome this limitation.

OMB COMPLIANCE STANDARDS

We rated the OMB Compliance Standards risk area as moderate. The OMB Compliance Standards are designed to assist agencies in employing an effective charge card internal control program that is in balance with the need to maintain card flexibility and ease of use in support of agency mission activities.

Of the 20 sub-risk areas within OMB Compliance Standards, we rated 3 as low risk, 14 as moderate risk, and 3 as high risk.

We rated *Cardholder Record*, *Cardholder Policies*, and *Convenience Checks* as low risk primarily because ACL did not use convenience checks during our audit period and provided a record of all purchase cardholders and their assigned single-purchase transaction limits.

We rated *Segregation of Duties, Transactions Authorized, Transaction Classification, Records Access, Document Controls, Employee Separation, Adverse Personnel Action Guidelines, Safeguarding Assets, Disputed Charges, Purchase Card Need, Cost Recovery, Penalties, Summary of Violations, and Summary of Personnel Adverse Actions* as moderate risk. Some examples of why we rated these sub-risk areas as moderate include the following:

- ACL guidance established the process for the preparation, review, processing, and reconciliation of credit card purchase transactions; however, ACL did not test purchase card transactions during FY 2022, which may have identified inherent risks, such as issues regarding separation of duties, employee separation, or properly authorized transactions.
- ACL did not identify any misuse or have a record of any disciplinary actions taken against cardholders in FY 2022. However, ACL did not conduct substantive transaction testing that may have uncovered misuse or necessitated cost recovery.
- ACL attested that there was reasonable assurance that its internal controls were operating effectively in accordance with OMB Circular A-123, but we did not receive the results of the tests conducted to support their statement.

We rated *Training, Reconciling, and Records Retention* as high risk. Some examples of why we rated these sub-risk areas as high include the following:

- ACL did not provide sufficient training-related documentation for us to determine whether all their AO's and cardholders received the required purchase card trainings for FY 2022.
- During our transaction testing, we identified that ACL did not always provide the record of cardholder reconciliation and AO approvals.
- ACL did not retain records for all purchases in accordance with the Government Purchase Card Program Directive.

CONCLUSION

Within the 6 risk areas related to ACL's purchase card program, we rated 56 sub-risk areas as follows: 21 low risk, 27 moderate risk, 8 high risk, and 0 critical risk. Overall, we assessed the ACL purchase card program as moderate risk, and we will consider conducting a follow-up risk assessment in the future.

RECOMMENDATION

We recommend that ACL develop mitigating controls and strategies to address the high and moderate risks we identified.

ACL COMMENTS

In response to our draft report, ACL concurred with our recommendation. ACL proposed corrective actions and strategies to address the risks classified as moderate or high in this report.

For instance, the Performance risk area listed four sub-risks: incident identification, technology processes, risk assessment, and identifying misuse as high risk. ACL proposed the following corrective actions:

- As part of the monthly reconciliation process, AO's will review purchase card transaction documentation to ensure all pre-approvals occurred before transactions and then immediately follow up with purchase cardholders to address any discrepancies.
- Ensure internal risk assessment, design and walk-through, and testing of internal controls occur annually.
- Identify deficiencies and corrective actions with specified resolution dates.

In the Review and Revisions risk area, two sub-risks were rated as moderate risk: ongoing monitoring results and reoccurring monitoring. ACL proposed the following corrective actions:

- Implement regular walk-throughs and training sessions for all purchase cardholders, AOs, and budget officials.
- Implement a new control that includes the review of frequent purchases from the same vendor as part of the annual internal controls review and risk assessment.
- Collaborate with HHS and OAMS to ensure cardholders are trained in using available sources for purchase card transactions.

ACL's comments appear in their entirety as Appendix D.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We performed a risk assessment of ACL's purchase card program for FY 2022, the most recent data available when we began our risk assessment. To assess ACL's ability to manage internal controls and risk for its charge card program, we used the ERM, which was developed by COSO. We applied COSO's ERM framework and OMB Compliance Standards to identify 6 risk areas and 56 sub-risk areas.

Using the principles established in COSO's ERM and the OMB Compliance Standards, we conducted a risk assessment of the areas that we identified and assigned a level of risk (low, moderate, high, or critical) to each sub-risk area based on our review of documents and responses from ACL.

We focused our review on ACL's internal controls, including policies and procedures, related to purchase cards.

We performed our audit from October 2023 to January 2025.

METHODOLOGY

To accomplish our objective, we took the following steps:

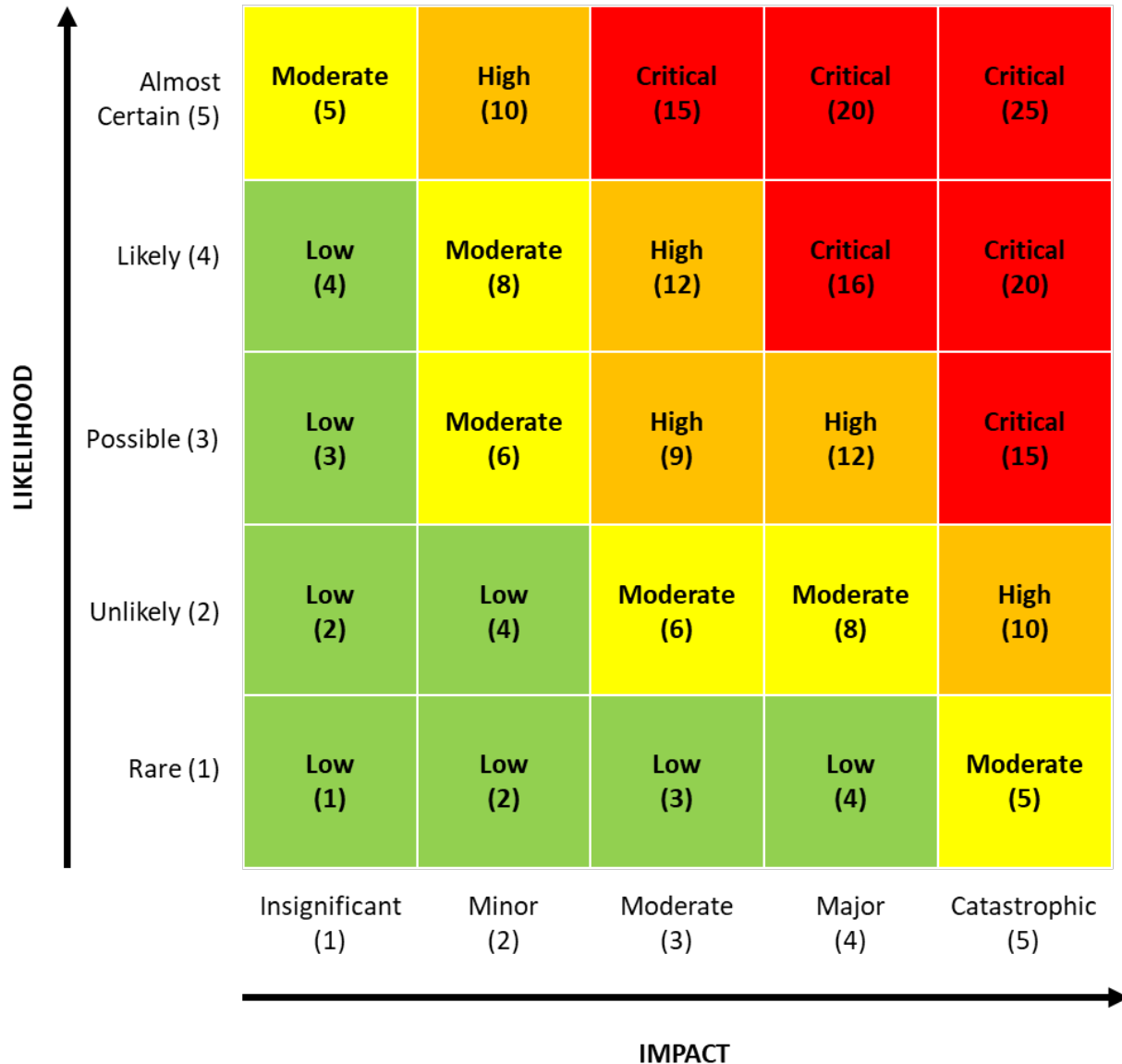
- reviewed applicable Federal laws, policies, and guidance;
- developed a risk assessment questionnaire, reviewed ACL's responses, and analyzed these responses in the context of the COSO framework;
- selected a non-statistical sample for review of 50 purchase card transactions, comprised of 30 high dollar transactions, 15 transactions with sales tax, and 5 transactions of all other types;
- held discussions with ACL officials about purchase cards and reviewed ACL's policies;
- reviewed the results of ACL's internal monitoring of its purchase card program;
- conducted limited purchase card transaction testing to verify the effectiveness of internal controls;
- conducted a risk assessment of the risk areas and sub-risk areas that we identified and assigned a level of risk to each sub-risk area;

- assessed mitigating processes and strategies for identified risks; and
- discussed the results with ACL officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: HEAT MAP FOR DETERMINING RISK LEVELS

We used this heat map to assess a risk level (low, moderate, high, or critical) for each sub-risk area, risk area, and overall risk.^{11 12}



¹¹ A heat map is a visualization tool to help organize, define, and quickly communicate key risks.

¹² To calculate the numeric risk rating in each box, the likelihood of occurrence is multiplied by the severity of impact. For example, the likelihood of “Possible (3)” and the impact of “Minor (2)” would result in “Moderate (6)” ($3 \times 2 = 6$). To determine risk levels, we rounded risk ratings as follows: 1 to less than 4.5 (Low); 4.5 to less than 8.5 (Moderate); 8.5 to less than 14.5 (High); and 14.5 and greater (Critical).

APPENDIX C: ACL'S PURCHASE CARD RISK AND SUB-RISK AREAS



APPENDIX D: ACL COMMENTS



Advancing independence and inclusion of older adults and people with disabilities

TO: Amy J. Frontz
Deputy Inspector General for Audit Services

FROM: Richard Nicholls
Deputy Administrator and Chief of Staff

SUBJECT: ACL Response to OIG Draft Report: Risk Assessment of the Administration for Community Living's Purchase Card Program for Fiscal Year 2022

Introduction

The Administration for Community Living (ACL) has reviewed the Office of the Inspector General (OIG) Draft Report: Risk Assessment of the Administration for Community Living's Purchase Card Program for Fiscal Year 2022, A-04-24-0204. During this review, ACL concurred with the OIG findings and identified mitigating controls already implemented or proposed corrective actions and strategies to address the risks classified as moderate or high. This document outlines a detailed response to each risk identified by OIG, along with the proposed measures ACL will undertake to mitigate these risks, ensuring robust governance and compliance within the ACL Purchase Card Program.

ACL has summarized the moderate and high risks identified by OIG and the proposed controls and corrective actions to mitigate the identified risks, below:

Risk: Governance (Low Risk)

Sub Risk: Knowledge and Skills (Moderate)

Summary of Risk

ACL did not provide complete records of training certificates for all cardholders and Approving Officials (AOs) for FY 2022. However, ACL supported the Department of Health and Human Services (HHS)/Office of Acquisition Management Services' (OAMS) active engagement in monitoring training completeness for ACL cardholders and AOs.

ACL concurs with the OIG risk assessment.

Proposed Corrective Action

To mitigate this risk, ACL will:

- Implement a formal training regimen for the purchase card program with HHS/OAMS.
- Establish an internal ACL mandatory annual purchase card training schedule with notification in early March, and completion by March 31 each year.
- Have the ACL purchase card program lead, Office of Administration and Personnel (OAP) Director, monitor and certify training completion annually.
- Follow up annually with HHS/OAMS Purchase Card Program to identify any changes to training requirements.

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- Include certification of annual purchase card training requirement as mitigating control as part of the annual A-123 Internal Controls Over Financial Reporting (ICOFR) process.

Risk: Performance (High Risk)

Sub Risks: Past Failures, Inherent Risk, Technology Usage, Risk Response, Corrective Action Plans (Moderate)

Summary of Risk

ACL used the Managing Accounting Credit Card System (MACCS) to prevent improper purchases. However, 14 out of 50 transactions lacked documentation for MACCS cardholder reconciliation, and 4 transactions included erroneous sales tax payments. The staff was not formally trained to use the system.

ACL concurs with the OIG risk assessment.

Proposed Corrective Action

ACL will:

- Ensure required documentation for reconciliation is collected by maintaining all purchase card approval forms, invoices, and other documentation centrally.
- Implement a standardized transaction naming convention/code for logging purchases in MACCS, internal cardholder spreadsheets, and purchase cardholder files.
- Review existing procedures and enhance training to prevent sales tax payments.
- Conduct monthly reviews of purchase card files for completeness as part of the monthly reconciliation process.
- As part of the monthly reconciliation process, AOs will verify purchase card transactions do not include sales tax.

Sub Risks: Incident Identification, Technology Processes, Risk Assessment, and Identifying Misuse (High Risk)

Summary of Risk

Three out of 50 transactions reviewed did not have AO preapproval support, and two additional transactions lacked any documentation. ACL did not conduct a risk assessment or provide results of internal control reviews for FY 2022.

ACL concurs with the OIG risk assessment.

Proposed Corrective Action

ACL will:

- As part of the monthly reconciliation process, AOs will review purchase card transaction documentation making sure all preapprovals occurred before transactions and follow-up immediately with purchase cardholders for corrective action when discrepancies are identified.
- Ensure internal risk assessment, design/walk-through, and testing of internal controls occur annually as part of the annual A-123 ICOFR process.
- Identify deficiencies and corrective actions with specified resolution dates.

Risk: Review and Revision (Moderate Risk)

Sub Risks: Ongoing Monitoring Results and Reoccurring Monitoring (Moderate)

Summary of Risk

Although ACL conducted regular transaction reviews, 16 out of 50 transactions lacked sufficient documentation for cardholder reconciliation and AO approval. Cardholders were not reviewed based on frequent purchases from the same merchant.

ACL concurs with the OIG risk assessment.

Proposed Corrective Action

ACL will:

- Implement regular walk-throughs and training sessions for all purchase cardholders, AOs, and budget officials.
- Implement a new control that includes the review of frequent purchases from the same vendor as part of the annual internal controls reviews and risk assessments.
- Collaborate with HHS/OAMS to ensure cardholders are trained in using available sources for purchase card transactions.

Risk: Risk Management Evaluation (High Risk)

Summary of Risk

Risk Management Evaluation was rated high risk because ACL did not conduct a risk assessment or provide results of substantive testing for FY 2022.

ACL concurs with the OIG risk assessment.

Proposed Corrective Action

ACL will:

- Implement an annual risk assessment process for the Purchase Card Program as part of the A-123 ICOFR Procure to Payment transaction cycle.
- As part of the annual risk assessment, identify deficiencies and formally track corrective actions with specified resolution dates.

Risk: Information, Communication, and Reporting (Low Risk)

Sub Risks: Information Infrastructure, Raw Data Conversions, Data Availability, Historical Data (Moderate)

Summary of Risk

ACL used MACCS for tracking credit card purchases, but data availability was inconsistent. ACL could not compare current data with historical records or generate anomaly reports due to MACCS limitations.

ACL concurs with the OIG risk assessment.

Proposed Corrective Action

ACL will:

- Implement a transaction tracking code for fiscal year, purchase cardholder, and unique identifier across all documentation and logs.

- Ensure monthly reports are downloaded from MACCS, maintained in purchase cardholder files, and forwarded to the Office of Budget and Finance (OBF) for reconciliation.
- All purchase card records, including approval forms, receipts, and reconciliation reports will be maintained centrally for the required duration under the records schedule.

Risk: OMB Compliance Standards (Moderate Risk)

Sub Risks: Duties, Transactions Authorized, Transaction Classification, Records Access, and More (Moderate)

Summary of Risk

ACL did not test purchase card transactions during FY 2022, which might have identified risks such as separation of duties or properly authorized transactions. There was no record of disciplinary actions or misuse identification.

ACL concurs with the OIG risk assessment.

Proposed Corrective Action

ACL will:

- Implement an annual risk assessment, design and walk-through of controls, and transaction testing process (A-123 ICOFR annual review process).
- Review potential misuse and take necessary corrective actions.

Sub Risks: Training, Reconciling, and Records Retention (High Risk)

Summary of Risk

ACL did not provide sufficient training documentation to determine if all AOs and cardholders received required purchase card training. The records for purchases were not retained as per directives.

ACL concurs with the OIG risk assessment.

Proposed Corrective Action

ACL will:

- Implement a formal training regimen for the purchase card program with HHS/OAMS.
- Establish a mandatory annual Purchase Card training schedule with notification in early March, and completion by March 31 each year.
- Have the ACL purchase card program lead (OAP Director) monitor and certify training completion annually.
- Follow up annually with HHS/OAMS purchase card Authority to identify any changes to training requirements.
- Include certification of annual purchase card training requirement as internal control as part of the annual A-123 internal control review.
- Conduct annual reviews to identify deficiencies in the reconciliation process and ensure compliance.

Conclusion

ACL has thoroughly reviewed the OIG Draft Report: Risk Assessment of the ACL Purchase Card Program for Fiscal Year 2022. Through the identification of moderate and high risks, ACL has proposed

corrective actions and strategies to ensure robust governance, compliance, and efficiency within the program. By implementing these measures, ACL aims to mitigate identified risks and reinforce the integrity of its Purchase Card Program.

A handwritten signature in black ink, appearing to read 'R Nicholls', with a stylized, cursive script.

Richard Nicholls
Deputy Administrator and Chief of Staff

Report Fraud, Waste, and Abuse

OIG Hotline Operations accepts tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement in HHS programs. Hotline tips are incredibly valuable, and we appreciate your efforts to help us stamp out fraud, waste, and abuse.



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