

MEMORANDUM

DATE: September 29, 2017

TO: Michael Cushing
Senior Vice President for Resource Management

FROM: Terry Settle *TS*
Assistant Inspector General for Audits

SUBJECT: Risk Assessment of Export-Import Bank's Purchase Card Program

This memorandum presents the results of our risk assessment of the Purchase Card Program at the Export-Import Bank of the United States ("EXIM", "EXIM Bank" or "the Bank"). The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), as implemented by Office of Management and Budget (OMB) Memorandum M-13-21 (OMB M-13-21) entitled, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, requires Federal agencies establish and maintain safeguards and internal controls for purchase and travel cards. It also requires the Office of Inspector General (OIG) of each agency to conduct annual risk assessments to identify and analyze the risks of illegal, improper, or erroneous purchases and payments to determine the scope, frequency, and number of audits of these programs. OMB M-13-21 does not prescribe how OIGs should conduct the risk assessments; therefore, we based our methodology and conclusions on our professional judgment.

We completed a risk assessment of EXIM's Purchase Card Program in fiscal year (FY) 2017; however, we did not assess the Bank's travel card program. As prescribed by OMB M-13-21 audits of travel card programs are only required when an agency expends \$10 million in the prior year. EXIM had \$2.9 million in travel for FY 2016. Because the Bank's travel program did not meet the threshold, a risk assessment to determine the scope, frequency, and number of periodic audits was not required.

For the period October 1, 2015 – September 30, 2016, we determined that EXIM's risk of illegal, improper, or erroneous use within the Purchase Card Program was low. The low risk assessment was based on (1) the amount of purchase card transactions; (2) a review of the program's policies, procedures, and internal controls; (3) an OIG Risk Assessment Tool completed by the Bank; and (4) the Bank's actions to address issues noted in the

OIG's prior risk assessment. In addition, we interviewed EXIM officials responsible for the oversight of the Purchase Card Program.

Overall, we determined that purchase card expenditures were immaterial in comparisons to the Bank's total FY 2016 administrative expenditures. Additionally, we found the policies, procedures and internal controls for the Purchase Card Program were generally sufficient. We also noted that EXIM submitted its Charge Card

Management Plan to the OMB by the January 31, 2017 deadline. Accordingly, we do not intend to conduct an audit specifically of the Purchase Card Program. However, we will base future Purchase Card Program audits on the results of our annual risk assessments.

Risk of Improper Use in the Purchase Card program Was Low

We determined that the risk of illegal, improper, or erroneous use in the EXIM Bank Purchase Card Program for the period October 1, 2015 – September 30, 2016 was low based on:

- The amount of purchase card transactions: The Bank incurred \$615,678 in purchase card charges. Compared to total administrative expenses for FY 2016 of \$114.3 million, the purchase card charges were immaterial as they represented less than one percent.
- EXIM Bank's Purchase Card Program policies, procedures, and internal controls: We found these policies, procedures and internal controls were generally sufficient and appeared to meet the requirements of OMB guidance¹. For example, OMB guidance requires agencies to perform charge card statement reconciliation or transaction reconciliation in a timely manner. The Bank's procedures state that the Approval Official (AO) must perform monthly reconciliations to include a page by page review of the purchase card statements and supporting documentation for all card holders. The purpose of this procedure is to monitor for delinquency, misuse and transaction activities.
- EXIM's responses to the OIG's Risk Assessment Tool: We reviewed the Bank's responses and interviewed Bank officials on their responses (including the Chief of Contracting Operations) and confirmed that the Bank's policies, procedures, internal controls and compliance with OMB guidelines were generally sufficient.

¹ OMB CIR. No. A-123, Appendix B Improving the Management of Government Charge Card Programs

- Actions taken to address issues noted in the OIG's prior risk assessment: The Bank hired a Chief Contracting Officer² in October 2016 who is responsible for the

Purchase Card Program. This addressed a concern noted in our previous Risk Assessment of the EXIM Bank's Purchase Card Program issued on August 30, 2016 regarding the long-term vacancy of the Chief Acquisition Officer position.

Conclusion

We conclude that the risk of illegal, improper, or erroneous use in the EXIM Bank's Purchase Card Program was low. As a result, an audit of the EXIM Bank's Purchase Card Program will not be included in the OIG's next annual audit plan. We will base future audit needs for the Purchase Card Program on the results of our annual risk assessments.

This risk assessment was not an audit and therefore was not conducted in accordance with generally accepted government auditing standards. The results of the risk assessment should not be interpreted to conclude that the Purchase Card Program is free of illegal, improper, or erroneous use or internal control deficiencies.

We want to thank the EXIM Bank staff for their cooperation. If you have any questions, please contact me at (202) 565 – 3498 or terry.settle@exim.gov. You can obtain additional information about the Export-Import Bank Office of Inspector General and the Inspector General Act of 1978 at www.exim.gov/oig.

² Our previous risk assessment found that the Chief Acquisition Officer position, the leadership position for the Purchase Card Program, was vacant. This position has now been filled by a Chief Contracting Officer.