



Memorandum

To: Fred Hochberg, Chairman and President

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

Subject: Risk Assessment of Export-Import Bank's Purchase Card and Travel Card Programs
(Assignment No. A-14-006-00)

Date: November 13, 2014

This memorandum presents the results of our risk assessment of the purchase and travel card programs at the Export-Import Bank of the United States (Ex-Im Bank). In accordance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, Federal agencies are required to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. The Inspector General (IG) of each executive agency must conduct annual risk assessments of agency purchase and travel card programs. The risk assessments are required to identify and analyze the risks of illegal, improper, or erroneous use in order to determine the scope, frequency, and number of periodic audits the Office of Inspector General (OIG) will conduct. The results of the risk assessments must be submitted to each agency head. Implementing guidance¹ provided by the Office of Management and Budget (OMB) did not prescribe the manner in-which the IG's risk assessment was to be performed. Therefore, the methodology used and conclusions reached were based on our professional judgment.

During Fiscal Year (FY) 2014, we completed a risk assessment of Ex-Im Bank's purchase and travel card programs for the period October 1, 2012 through May 31, 2014. We determined that Ex-Im Bank's risk of illegal, improper, or erroneous use within the purchase and travel card programs was low. As a result, we do not intend to conduct audits specifically of the purchase or travel card programs during FY 2015. Due to reputational risk and Congressional interest, however, we do plan to conduct a broader audit of Ex-Im Bank's travel budget allocation and voucher processes, which may include some review of the travel card program. Future audits

¹ OMB M-13-21 Implementation of the Government Charge Card Abuse Prevention Act of 2012

of the purchase and travel card programs will be based on the results of our annual risk assessments.

Our assessment of “low-risk” for the purchase and travel card programs was based on the amount of expenditures for the period October 1, 2012 through May 31, 2014 and a review of the programs’ policies and procedures, internal controls, and findings and recommendations from prior audits. We also interviewed Ex-Im Bank officials responsible for the oversight of the purchase and travel card programs. Finally, we assessed Ex-Im Bank’s compliance in submitting its Charge Card Management Plans to the Office of Management and Budget (OMB).

Overall, we determined that the purchase and travel card expenditures were immaterial in comparison to Ex-Im Bank’s total FY 2013 expenditures; the policies, procedures and internal controls for each program appeared to be sufficient with one exception; and prior recommendations were fully implemented. In addition, we noted that Ex-Im Bank did not submit its Charge Card Management Plans to the OMB as required.

Risk of Improper Use in the Purchase Card Program Was Low

We determined that the risk of illegal, improper, or erroneous use in the Ex-Im Bank’s purchase card program was low. We identified that the purchase card charges totaled \$1.46 million for the period of October 1, 2012 through May 31, 2014. We reviewed the program’s policies and procedures, the Chief Acquisition Officer’s (CAO) internal control self-assessment, and the prior audit recommendations of the 2012 Audit of Export-Import Bank’s Purchase Card Program.² We also interviewed the CAO who has oversight responsibility for the purchase card program. Our risk assessment found that the \$1.46 million in purchase card charges were immaterial as they represented only 1.2 percent of Ex-Im Bank’s total administrative expenses for FY2013. Further, the policies, procedures, and internal controls over the purchase card program appeared to meet the requirements in OMB guidance³ and the prior audit recommendations were completed and closed. Specifically, we found that Ex-Im Bank’s procedures required a monthly reconciliation, which included a page by page review of the card statements and supporting documentation for all 25 card holders to monitor delinquency, misuse, and other transaction activities. The CAO verified that this control was in place. We also found that Ex-Im Bank implemented the recommendations from our 2012 audit of the purchase card program by revising its policies for the use of convenience checks, developing internal training, and performing a comprehensive annual review of the purchase card program. For all of these reasons, we have assessed the risk of improper use in the purchase card program as low.

² Audit of Export-Import Bank’s Purchase Card Program, OIG AR-12-06, Sept 26, 2012.

³ OMB Circular No. A-123, Appendix B Improving the Management of Government Charge Card Programs

While the risk of improper use in the purchase card program was determined to be low, it is important to note that Ex-Im Bank did not maintain and submit its Charge Card Management Plans to OMB by January 31, 2014 as required by OMB Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs*. Ex-Im Bank's Chief Acquisition Officer stated that the Charge Card Management Plans are in draft and management's review is expected during the first quarter of FY 2015. Ex-Im Bank should annually submit Charge Card Management Plans by January 31st in compliance with OMB guidance.

Risk of Improper Use in the Travel Card Program Was Low

We determined that the risk of illegal, improper, or erroneous use in the Ex-Im Bank's travel card program was also low. Per OMB guidance,⁴ audits of travel card programs are only required when an agency expends \$10 million in the prior year. Ex-Im Bank had \$1.26 million in travel expenditures in FY2013, and only \$2.3 million for the entire period under review (October 1, 2012 thru May 30, 2014). As Ex-Im Bank's travel expenditures did not meet the threshold for audit, a risk assessment to determine the scope, frequency, and number of periodic audits was also not required. Nevertheless, we performed limited steps to assess the risk of improper use in the travel card program.

We identified the amount of travel card expenditures for individual and centralized billing from October 1, 2012 through May 30, 2014 and performed an assessment of the policies, procedures, and internal controls over the travel card program. We also interviewed the Vice President of the Office of Administration (VP of OA) who is responsible for the oversight of the travel card program. The results of the assessment found that the travel card expenditures were below the OMB threshold for audit or review and with one exception, the policies and internal controls over the travel card program appeared to meet OMB guidance. Specifically, the policies required the review of card statements to ensure charges and ATM withdrawals corresponded to official travel dates and charges were only for official travel expenses. However, during our risk assessment, we found that Ex-Im Bank only performed a high-level review of the travel card charges to ensure the charges corresponded with official travel dates. A more detailed review to ensure the charges were only for official travel expenses did not occur as required by both OMB guidance and Ex-Im Bank's policy. The VP of OA stated the risk to Ex-Im Bank is mitigated because the cards are monitored for delinquencies and travelers are ultimately responsible for paying for the charges on the cards. Nevertheless, Ex-Im Bank should adhere to its current policies to further mitigate the risk of misuse in the travel card program. Given the immaterial dollar amount of travel expenditures which does not meet OMB's threshold, and the current controls, we assessed the risk of improper use in the travel card program to be low.

⁴ OMB M-13-21 Implementation of the Government Charge Card Abuse Prevention Act of 2012 – Audits for travel cards shall be required only for agencies with \$10 million in prior year travel spending.

Conclusion

We concluded that the risk of illegal, improper, or erroneous use in the Ex-Im Bank's purchase and travel card program was low. As a result, audits specifically of Ex-Im's purchase and travel card programs were not included in the OIG's FY 2015 annual audit plan. Due to reputational risks and Congressional interest, however, we did include an audit of Ex-Im Bank's travel budget allocation and voucher processes as part of our FY 2015 annual audit plan. Future audit needs for the purchase and travel card programs will be based on the results of our annual risk assessments. Management's review of the Charge Card Management Plans is expected to be completed during the first quarter of FY 2015. To ensure compliance with OMB guidance, Ex-Im Bank must submit Charge Card Management Plans by January 31st each year. Finally, Ex-Im Bank should comply with its policy to review travel card statements to ensure charges were only for official travel expenses.

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 and travel card programs are free of illegal, improper, or erroneous use or internal control deficiencies.

We want to thank Ex-Im 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.

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