




Office of Inspector General

Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

MEMORANDUM

DATE: September 13, 2023

TO: Board of Governors

FROM: Khalid Hasan 
Assistant Inspector General for Information Technology

SUBJECT: *Calendar Years 2020–2022 Risk Assessment of the Board’s Government Travel Card Program*

Executive Summary

We have conducted a risk assessment of the Board of Governors of the Federal Reserve System’s government travel card (GTC) program to determine the necessary frequency and scope of GTC audits. The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the Board’s GTC program is *low*.

A risk level of *low* means that illegal, improper, or erroneous use is unlikely to occur and that such an occurrence would be expected to have a minimal effect on current operations and long-term objectives. Nonetheless, the Board’s Travel section should continue to take appropriate actions to ensure proper oversight of its program. As a result of the low risk level, we will not include an audit of the Board’s GTC program in our 2023 audit plan.

Background

The Board’s GTC program provides employees with resources to arrange and pay for official travel- and training-related expenses and to receive reimbursements for these authorized expenses. The Board participates in the U.S. General Services Administration’s SmartPay 3 program for government employees, and Citibank, the card issuer, provides an individually billed charge card to each eligible Board employee. The Board has issued the *Travel Policy* and the *Government Travel Card Procedures*, which outline the requirements regarding the use of a GTC and detail the conditions of the travel program.

During calendar years 2020–2022, 16,732 purchase transactions were made on individually billed Board GTCs totaling approximately \$8.6 million. Over the same period, travel expenses totaled \$13.9 million, as

reported in the Board's audited financial statements.¹ The Government Charge Card Abuse Prevention Act of 2012 requires the inspector general of each executive agency with more than \$10 million in travel card spending to conduct periodic assessments or audits of travel card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments.

Additionally, the Office of Management and Budget (OMB) has issued OMB Circular A-123, Appendix B (Appendix B), which states that inspectors general will conduct annual risk assessments of agency travel card programs to analyze the risks of illegal, improper, or erroneous purchases.²

The Board's Travel Policies and Procedures

Under the Board's *Travel Policy* and *Government Travel Card Procedures*, the officer of the Travel section, which is part of the Board's Division of Financial Management, is responsible for administering and managing the Board's GTC program. Moreover, the *Government Travel Card Procedures* states that the Travel section is responsible for monitoring GTC cardholders' compliance with policy requirements by performing periodic reviews to ensure that cardholders do not make unauthorized purchases or engage in inappropriate activity.

According to the *Travel Policy*, cardholders must comply with applicable federal regulations and relevant Board policies and guidance. Further, the *Travel Policy* and the *Government Travel Card Procedures* state that cardholders (1) must use the GTC to pay for air and rail tickets and may also use the GTC to pay for lodging while on business travel, (2) may use the GTC to pay for other official travel-related expenses, and (3) must not use the GTC to pay for personal expenses. In addition to defining proper and improper use of the GTC, the *Government Travel Card Procedures* provides guidance on submitting vouchers for reimbursement of official travel expenses and potential disciplinary actions for improper use. The *Government Travel Card Procedures* states that cardholders are fully responsible for all charges to their GTC and for making GTC payments in full when they are due.

Objective, Scope, and Methodology

Our objective was to analyze the risks of illegal, improper, or erroneous purchases and payments associated with the Board's GTC program to determine an overall risk level for the program. Our scope included travel card purchases during calendar years 2020–2022 (January 1, 2020, through December 30, 2022). We conducted our risk assessment work from March through August 2023.

Travel Card Program Information Systems

Cardholders and program officials use the Citibank electronic credit card management system to review transactions, and program officials use the system to run reports for program administration. We

¹ The program total is higher than the GTC total because not all program expenses, including per diems, are charged to individually billed GTCs.

² This revision is effective as of August 2019 and replaces and rescinds the previously issued Appendix B policy dated January 2009 as well as OMB Memorandum M-13-21 dated September 2013. The purpose of Appendix B is to consolidate current governmentwide charge card program management requirements and guidance issued by OMB, the U.S. General Services Administration, the U.S. Government Accountability Office, the U.S. Department of the Treasury, and other federal agencies.

obtained Citibank data to evaluate all charges incurred by cardholders with individually billed accounts during calendar years 2020–2022.

The Board uses PeopleSoft, an Oracle system, to manage human resource records, such as hiring and separation information.³ We obtained PeopleSoft data to identify active and separated employees. We independently extracted GTC transaction data, and we observed the Board’s extraction of personnel (active and separation) data from PeopleSoft. Additionally, we obtained and reviewed system-level information security control requirements to determine whether the data within each system were reliable for the purpose of our review.

Risk Assessment Survey

To conduct our risk assessment, we obtained and reviewed relevant Board policies and procedures and the results of prior audits and reviews of the program. In addition, we surveyed applicable Board officials and the responsible travel program coordinator to identify (1) risks that could prevent their office from achieving its goals and (2) controls to mitigate these risks.

We used five risk categories in our risk assessment—financial, strategic, operational, compliance, and reputational—as defined below:

- **Financial**—the risk that an event related to the travel card could occur that has a significant financial effect on the Board’s or the Division of Financial Management’s budget process
- **Strategic**—the risk that an event related to the travel card could impede the Board’s or the Division of Financial Management’s ability to achieve its mission and strategic objectives
- **Operational**—the risk that an event related to the travel card could be negatively affected by inadequate, ineffective, or failed business processes, human capital, or technology and information management
- **Compliance**—the risk that an event related to the travel card could hamper the travel program’s ability to comply with applicable laws, regulations, or internal policies and procedures
- **Reputational**—the risk that an internal or external event related to the travel card could diminish the Board’s or the Division of Financial Management’s stature, credibility, or effectiveness

The Board’s Travel section identified risks by relevant risk category and assessed the risks’ impact and likelihood. *Impact* is the magnitude of deficiency that could result from a risk, and *likelihood* is the level of possibility that a risk will occur. We then assessed the impact and likelihood of risks by risk category, considering the effect of internal controls and other relevant documentation. We assigned a level of risk using the criteria in table 1. We then combined the impact and likelihood of individual risk category levels to arrive at an average overall risk level.

³ In July 2023, the Board transitioned from PeopleSoft to Workday for management of its human resource records. All records used for this risk assessment were obtained from the PeopleSoft system before this transition. Future risk assessments will utilize Workday records for testing.

Table 1. Definitions of Risk Impact and Risk Likelihood, by Level

Level	Risk impact definition	Risk likelihood definition
High	Significant impact on current operations and long-term objectives	Highly likely to occur
Medium	Limited impact on current operations and long-term objectives	Likely to occur
Low	Minimal impact on current operations and long-term objectives	Unlikely to occur

Source: OIG adaptation of tables from the Federal Reserve Bank of Cleveland's *Toolkit for Functional Risk Assessments*, November 2009.

Data Analytics Testing

In addition to the risk assessment survey, we developed and ran algorithms for data analysis designed to test purchase transactions that occurred during calendar years 2020–2022. This analysis was conducted to identify potentially illegal, improper, or erroneous transactions. We obtained Citibank data to evaluate all charges incurred by cardholders with individually billed accounts during 2020–2022 and PeopleSoft data to identify active and separated employees. Specifically, we tested for transactions that occurred in the following categories:

- **Prohibited merchant category codes (MCCs)**—We compared all transactions to the Board's allowable MCC list to identify transactions with MCCs that are on blocked codes.⁴
- **Non-Board employees**—We compared all transactions to a list of active and separated Board employees to identify any transactions made by a cardholder who was not a Board employee.
- **Separated Board employees**—We compared all transactions to a list of separated Board employees to determine whether transactions occurred after an employee left the Board.

⁴ MCCs are used to classify merchants and businesses by the type of goods or services provided. Organizations can use MCCs to categorize, track, and restrict transactions.

Results of Risk Assessment

The results of our risk assessment work, including both the survey and data analytics testing results, are summarized below.

Risk Assessment Survey Results

Table 2 shows each risk category’s level for impact and likelihood for the Board’s GTC program. The average overall risk level contributes to the final risk assessment for the Board’s GTC program.

Table 2. Impact, Likelihood, and Overall Risk Level, by Risk Category

Risk category	Impact	Likelihood	Overall risk level
Financial	Low	Low	Low
Strategic	Low	Low	Low
Operational	Low	Low	Low
Compliance	Low	Low	Low
Reputational	Low	Low	Low
Average risk level	Low	Low	Low

Source: OIG analysis.

Data Analytics Testing Results

Our testing of 16,732 purchase transactions for potentially illegal, improper, or erroneous transactions identified the following:

- **Transactions on unallowable MCCs**—We did not identify any unauthorized transactions that occurred on currently blocked MCCs. However, when reviewing MCCs that were blocked during prior risk assessments but that were no longer blocked, we identified five personal transactions in these now-unblocked MCCs, totaling \$864.10, made by an employee before separating from the Board. Board officials stated the employee did not request reimbursement for these expenses and because they were made on an individually billed account they are liabilities of the employee, not the Board.
- **Transactions by non-Board employees**—We did not identify any transactions made by a cardholder who was not a Board employee. However, we identified several individuals whose employee identification number (ID) in the Citibank system did not reconcile to their ID in the PeopleSoft human resource records. The Travel section explained that the field in the Citibank system was populated by system users and that no controls exist to ensure the accuracy of the

information entered by the system users. The Board's Travel section reviewed these records and provided the correct employee ID or employee status to us.

- **Transactions by separated Board employees**—We did not identify any transactions made after an employee's separation.

Conclusion

The results of the risk assessment survey and data analytics testing led us to determine that the risk of illegal, improper, or erroneous use in the Board's GTC program is *low*.

A risk level of *low* means that illegal, improper, or erroneous use is unlikely to occur, and if it does occur, there would be minimal impact on the Board's current operations and long-term objectives. Nonetheless, the Travel section should continue to take appropriate actions to ensure proper oversight of its program. As a result of the low risk level, we will not include an audit of the Board's GTC program in our 2023 audit plan.

This report is provided for informational purposes, and a response is not required. We appreciate the cooperation and assistance provided by your staff during this risk assessment. Please contact me if you would like to discuss this report or any related issues.

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