



Office of Inspector General

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

MEMORANDUM

DATE: February 21, 2018

TO: Mick Mulvaney
Acting Director
Consumer Financial Protection Bureau

FROM: Peter Sheridan *Peter Sheridan*
Assistant Inspector General for Information Technology

SUBJECT: *Fiscal Year 2017 Risk Assessment of the CFPB's Purchase Card Program*

Executive Summary

We have conducted a risk assessment of the Consumer Financial Protection Bureau's (CFPB) purchase card program to determine the necessary frequency and scope of purchase card audits. The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the CFPB's purchase card program is *low*. As a result, we will not include an audit of the CFPB's purchase card program in the OIG's 2018 annual audit plan.

The results of the risk assessment should not be interpreted to mean that a lower-risk program is free of illegal, improper, or erroneous use or internal control deficiencies. An audit of the program may identify issues not previously noted in the risk assessment. For instance, the overall risk level for the purchase card program may be assessed as *low* based on the design of internal controls and the size of the program; however, an audit may find that controls are not working effectively or that illegal, improper, or erroneous activity has taken place.

Background

The Government Charge Card Abuse Prevention Act of 2012 requires the Inspector General of each executive agency to conduct periodic assessments or audits of purchase card programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments. In September 2013, the Office of Management and Budget (OMB) issued OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, which states that Inspectors General will conduct annual risk assessments of agency purchase card programs to analyze the risks of illegal, improper, or erroneous purchases. OMB directed that these risk assessments be used to determine the necessary scope, frequency, and number of audits or reviews of the purchase card program.

The CFPB participates in the U.S. General Services Administration's SmartPay 2 program through a task order with the U.S. Department of the Treasury's master contract with Citibank. Within the U.S. Department of the Treasury, the Bureau of the Fiscal Service's Administrative Resource Center provides purchase card administrative services and acts as the liaison between the CFPB and Citibank.

The CFPB's Office of Procurement is responsible for managing the operation of the purchase card program and ensuring that the program complies with applicable laws, regulations, policies, and procedures. The Office of Procurement also monitors the effectiveness of the purchase card program as a payment vehicle while working to ensure that the proper controls are in place. The CFPB operates its purchase card program under the policies and procedures set forth in the *Purchase Card Policy and Management Plan*, which was finalized in July 2014. The CFPB has over 300 active purchase card accounts; in fiscal year 2017, approximately 3,000 transactions worth \$2.0 million were made on 153 of the 300 active cards. Because these low-activity accounts have a \$200 credit limit, we determined that the number of low-activity cards would not affect the overall risk rating of the program.

Objective, Scope, and Methodology

Our overall objective was to analyze the risks of illegal, improper, or erroneous purchases and payments associated with the CFPB's purchase card program in order to determine an overall risk level for the program. Our scope included purchase card transactions from October 1, 2016, to September 30, 2017.

To conduct our risk assessment, we obtained and reviewed the Office of Procurement's objectives for the program as well as its purchase card policies and procedures. In addition, we surveyed the responsible agency program coordinator to identify (1) risks that could prevent the 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 purchase card could occur that has a significant financial effect on the CFPB's or the Office of Procurement's budget process
- **Strategic**—the risk that an event related to the purchase card could impede the CFPB's or the Office of Procurement's ability to achieve its mission and strategic objectives
- **Operational**—the risk that an event related to the purchase 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 purchase card could hamper the 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 purchase card could diminish the Office of Procurement's or the CFPB's stature, credibility, or effectiveness

The CFPB's Office of Procurement identified inherent risks by relevant risk category and assessed the risks' impact and likelihood. *Impact* is the magnitude of deficiency that could result from the risk, and *likelihood* is the level of possibility that a risk will occur. Our office 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.

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.

We conducted our risk assessment work from July 2017 through January 2018.

Results of Risk Assessment

Table 2 shows each risk category's level for impact and likelihood for the purchase card program. The average overall risk level determines the final risk assessment for the CFPB's purchase card 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.

Conclusion

The results of the risk assessment show that the risk of illegal, improper, or erroneous use in the CFPB's purchase card program is *low*. As a result, we will not include an audit of the purchase card program in the OIG's 2018 annual 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. If you have any questions, please contact Brent Melson, Senior OIG Manager for Information Technology, or me.

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