



UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Memorandum

January 26, 2018

TO: Office of the Chairman (Vacant)

Original Signed By:

FROM: Martin J. Dickman, Inspector General

SUBJECT: Fiscal Year 2017 Risk Assessment for the Government Charge Card Abuse Prevention Act of 2012

The Government Charge Card Abuse Prevention Act of 2012 (the Act), mandates that Inspectors General conduct periodic risk assessments of agency purchase and travel card programs to determine the scope, frequency, and number of Inspector General audits or reviews of agency purchase and travel cards.¹ The Act requires Inspectors General to report the results of such assessments to the head of the executive agency. The Act also mandates that Inspectors General report annually to the Director of the Office of Management and Budget (OMB) on agency progress in implementing prior audit recommendations.

In compliance with the Act, my office has conducted a risk assessment related to the Railroad Retirement Board's (RRB's) purchase and travel card programs for fiscal year 2017, and assessed the overall risk as moderate. The factors considered and our conclusions are outlined below.

Financial Impact – The significance of program funds in relation to the activity.

In fiscal year 2017, RRB's purchase and travel card programs totaled \$711,820 and \$415,567, respectively. RRB's purchase and travel card programs are below the \$10 million threshold established for increased oversight and reporting.

We have assessed the financial impact risk level as **low**.

¹ Pub. L. No. 112-194, *Government Charge Card Abuse Prevention Act of 2012*.

Legal Requirement – The laws and regulations applicable to the audit area.

The legal requirements applicable to this audit area include the Federal Travel Regulations (FTR), US Code Title 31-Money and Finance, and the Act. The FTR details the requirements for the use of a travel card.² The money and finance code requires federal agencies to be responsible for ensuring that appropriated funds are used within the specified time periods and only for the purposes and amounts authorized.³ The Act introduced additional requirements for agencies and Offices of Inspectors General (OIG), including annual risk assessments, periodic reviews of the government charge card program, and a report to the Director of OMB on the implementation of prior audit recommendations.

In accordance with these legal requirements, in fiscal year 2017, the OIG audited the RRB's compliance with the FTR, which included a review of controls over travel cards.⁴ The audit report was issued on April 11, 2017. In this report, the OIG made the following six recommendations related to the RRB's travel card program:

1. Revise wording of RRB travel policies and procedures to mirror FTR requirements regarding usage of travel cards (Report Recommendation 7);
2. Revise RRB travel policies and procedures to require the use of travel cards by the traveler unless an FTR exemption is met (Report Recommendation 8);
3. Revise RRB travel policies and procedures to require that temporary duty travel approvers verify that the travel card was used by the traveler, if applicable (Report Recommendation 9);
4. Revise RRB travel policies and procedures to require the non-usage of a travel card be justified and documented (Report Recommendation 10);
5. Conduct refresher training on required travel card usage requirements for travel cardholders and approvers to ensure compliance with the FTR (Report Recommendation 11); and
6. Update their process for the issuance and deactivation of travel cards to ensure compliance with Federal law and RRB travel policies and procedures (Report Recommendation 12).

All six of these recommendations remain open.

² General Services Administration Office of Governmentwide Policy, *Federal Travel Regulation* (Washington, D.C.: January 2004).

³ 31 U.S.C. §1301 (a) and (b), § 1501 (a), and §1502(a) Money and Finance.

⁴ Railroad Retirement Board (RRB) Office of the Inspector General (OIG), *Railroad Retirement Board Did Not Always Comply with the Federal Travel Regulation*, Report No. 17-04 (Chicago, IL: April 11, 2017).

In fiscal year 2015, the OIG conducted an audit of obligations that also included control tests and recommendations related to the RRB's purchase card program.⁵ The purpose of the audit was to assess the effectiveness of internal controls in ensuring that obligations are recorded and reported in accordance with applicable laws and regulations. The audit included control tests and found that internal controls were not adequate. Three audit recommendations were made related to the purchase card program:

1. Strengthen internal controls to ensure that purchase card training is completed by each purchase card holder within the timeframes required by OMB and agency guidance; (Report Recommendation 1)
2. Revise and issue updated Delegation of Authority Letters for Purchase Cards to reflect changes in authorizing authority, approvers, and changes in guidance (Report Recommendation 2); and
3. Revise agency administrative circulars OA-14 and OA-21 and control activities when agency systems are replaced, or as needed. (Report Recommendation 11)

Although the three recommendations each had an original target implementation date of April 30, 2016, they remain open.

In addition to the open recommendations discussed above, the OIG performed a compliance audit of the RRB's purchase and travel card program in fiscal year 2013.⁶ Three recommendations were made in this report; one of which has been implemented while the other two remain open. Although the target dates for implementing the open recommendations were originally established as June 30, 2014, these two recommendations remain open.

Based on the previous OIG audits, the six new recommendations, and longstanding unimplemented recommendations, we have assessed the risk associated with the legal requirements to be **moderate to high**. In fiscal year 2016, we had assessed the risk factor as moderate.

Complexity – Laws, procedures, personnel, organizational and process (technical, computer, equipment, etc.)

There have been no recent legislative changes that would affect these programs in the near future. No instances of waste, fraud, or abuse were detected in our 2013 or 2015

⁵ RRB OIG, *Audit of the Internal Controls Over Obligations at the Railroad Retirement Board*, Report No. 15-08 (Chicago, IL: August 14, 2015).

⁶ RRB OIG, *Audit of the Railroad Retirement Board's Compliance with the Government Charge Card Abuse Prevention Act of 2012*, Report No. 13-10 (Chicago, IL: September 19, 2013).

audits. However, in fiscal year 2017, we found 17 exceptions where travelers should have used their government issued travel cards, but did not. The projected number of exceptions was 282 for calendar years 2010 through 2015.⁷ In addition, some inappropriate charges were found in audits performed in 2004 and 2008.^{8,9}

Although the RRB's procedures (Administrative Circulars OA-21 and OA-22) are outdated, they provide guidance on what constitutes appropriate and inappropriate use of purchase cards and what transactions are allowed for travel cards. In addition, the RRB does implement merchant code restrictions and credit limits based on the user as controls to prevent abuse.

We assess the risk associated with complexity to be **low to moderate**.

Note: On June 15, 2017, OMB issued memo M-17-26, *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda*, which will eliminate annual narrative reporting for government charge cards starting in fiscal year 2018. Because this risk assessment covers fiscal year 2017, the change will not affect our risk assessment this year, but should be considered during the fiscal year 2018 risk assessment.¹⁰

Change – Expected change in procedures, processes, personnel, and law pertinent to the area of review.

RRB needs to update its purchase and travel card programs to incorporate changes introduced by the Act, the migration to a new financial management information system in 2013, and Executive Order 13681-*Improving the Security of Consumer Financial Transactions* issued in 2014.¹¹

Outstanding OIG audit recommendations, for updates to procedures for both the purchase and travel card programs, continue to remain open. In addition to these open recommendations to update procedures, other recommendations related to the program remain open.

⁷ RRB OIG, Report No. 17-04.

⁸ RRB OIG, *Review of the Purchase Card Program at the Railroad Retirement Board*, Report No. 04-04 (Chicago, IL: June 21, 2004).

⁹ RRB OIG, *Implementation of Selected Requirements for Government Charge Card Programs at the Railroad Retirement Board*, Report No. 08-02 (Chicago, IL: May 14, 2008).

¹⁰ Office of Management and Budget (OMB), *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda*, Circular No. M-17-26 (Washington, D.C.: June 15, 2017).

¹¹ Executive Order, *Improving the Security of Consumer Financial Transactions*, Order No. 13681 (Washington, D.C.: October 17, 2014).

Also, RRB continues to operate with open executive positions, including the Chairman of the Board. The Chairman position has been vacant since August 31, 2015. The current Administration may also affect the appointment of new Board members.

Due to the continuing need for updated procedures, open audit recommendations, and the expected change in RRB leadership, we have assessed the risk associated with change to be **moderate to high**.

Management – Competence, attitude regarding achieving goals and objectives.

The same individual has been administering the RRB's purchase and travel card programs since 1999 and regularly reviews transaction activity to identify inappropriate use. This individual, the Program Coordinator, reviews several Citibank prepared reports to support the program integrity efforts. These reports include the Account Activities Report and the Declined Authorizations Report. The Program Coordinator uses these reports to identify suspicious activity and instances where payments are not being made timely. RRB has also set Merchant Code Restrictions for most cardholders and has established credit limits based on the individual cardholder's position or job function.

Prior to receiving a purchase card, the cardholder must attend training and must submit a signed certification that they have read and abide by the policies and procedures. They must also acknowledge that the card will be used only for official business and that they understand the consequences of misuse or abuse. Similar requirements exist for a cardholder to be issued a travel card, with the additional certification that the cardholder will pay the account in full no later than 25 days after the statement closing date. All program participants are required by OMB to be retrained and recertified every three years.¹² As discussed previously in this memorandum, there is an open recommendation to strengthen controls to ensure that retraining and recertification occurs every three years for purchase cardholders.

The Program Coordinator also reviews the Delinquency Report each month. Any delinquencies are promptly referred to the cardholder's immediate supervisor or the cardholder's bureau head for appropriate action. RRB has experienced few instances of cardholder abuse.

However, in fiscal year 2017, OIG identified 17 exceptions where travelers did not use their government issued travel cards as required. These exceptions occurred because RRB management did not ensure that policies and procedures required the use of government issued travel cards as stated in the FTR. We made five recommendations to RRB management to revise policies and procedure to require use of government issued travel cards and to conduct refresher training on travel card usage. In addition, many of

¹² Office of Management and Budget (OMB), *Improving the Management of Government Charge Card Programs*, Circular No. A-123, Appendix B (Washington, D.C.: January 15, 2009).

the exceptions involved Board members, leading us to have concerns about RRB Management's tone at the top.¹³

We have assessed the risk level associated with management to be **moderate to high**. In fiscal year 2016, we had assessed the risk factor as low to moderate.

Data Integrity – Data integrity is a state that exists when data are sufficiently complete and error free to be convincing for their purpose and context. It is a relative concept that recognizes that data may contain errors as long as the errors are not of a magnitude that would cause a reasonable person, aware of the errors, to doubt a finding or conclusion based on the data.

In general, the RRB's data integrity for government charge cards is sufficient and free of error. The CitiDirect Card Management System (system) is owned and maintained by Citibank and the RRB has access to various reports prepared by Citibank. User access is controlled through the use of a web interface and the program coordinator must use two factor sign on to obtain sensitive data for all cardholders and their transactions. Data retention is controlled by Citibank, but the system currently has several years of data available online.

In addition to the program integrity actions completed by the RRB's Program Coordinator to identify suspicious activity, Citibank and GSA are responsible for alerting the RRB and individual cardholders when a breach is suspected or has occurred.

However, in fiscal year 2017, the OIG performed a data analysis of RRB's purchase card transactions for the period of April 1, 2014 through December 31, 2016. We identified some areas of risk, including potential fraudulent, improper, and abusive purchase card transactions. Based on this data analysis, we have assessed the data integrity risk level as **low to moderate**. In fiscal year 2016, we had assessed the risk factor as low.

¹³ RRB OIG, Report No. 17-04.

Conclusion

We have assessed the overall risk to be **moderate** as detailed below. In fiscal year 2016, we assessed the overall risk to be low to moderate.

Risk Factor	Assessed Risk	Numeric Rating
Financial Impact	Low	2
Legal Requirement	Moderate to High	8
Complexity	Low to Moderate	4
Change	Moderate to High	8
Management	Moderate to High	8
Data Integrity	Low to Moderate	4
Overall Risk (Average)	Moderate	6

Numeric Rating Scale:

Low = 2

Low to Moderate = 4

Moderate = 6

Moderate to High = 8

High = 10

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