



OFFICE *of*
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

Risk Assessments of HUD's Charge Card Programs

Report: 2024-FO-0005

March 29, 2024

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//signed//

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Subject: HUD Charge Card Programs Risk Assessments

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) results of our risk assessments of HUD's charge card programs.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Brittany Wing, Audit Director, at (202) 320-7296.

Executive Summary- Results of Risk Assessments

As required by the Charge Card Abuse Prevention Act of 2012, Public Law 112-194, we performed risk assessments of the U.S. Department of Housing and Urban Development's (HUD) purchase and travel card programs. In our risk assessments, we analyzed and identified the risks of illegal, improper, or erroneous purchases. Using information provided by HUD, we assessed risk for eight different risk factors and ranked each risk factor as low, medium, or high, based on predetermined criteria. We determined that the overall risk for both programs was low and at this time, an audit is not warranted. However, we did identify areas of medium risk in which HUD could make improvements to strengthen its charge card controls related to three risk factors for the purchase card assessment and one risk factor for the travel card assessment.

The risks in both programs centered around weaknesses in procedures and monitoring. Specifically, in the purchase card program, the Office of the Chief Procurement Officer (OCPO) used and relied on an outdated policy implementation guide that did not reflect OCPO's current processes and lacked standard operating procedures outlining the specific steps taken to execute the controls. Further, the monthly monitoring review process did not always ensure that potential improper use transactions were cleared with adequate documentation. In the travel card program, HUD program offices did not always follow up on potentially improper transactions identified by the Office of the Chief Financial Officer (OCFO) in a timely manner, and OCFO lacked the authority to act when reviews were untimely. We also noted that HUD did not sufficiently monitor for employees who did not use their government travel card when required for official travel-related purchases. While we identified these weaknesses, based on our review of other risk factors and our transactional analysis, we determined that the overall risk was low.

To improve its processes and oversight for the purchase card and travel card programs, we made recommendations to develop and implement policies and procedures in the areas that we assessed as medium risk. While we assessed risks of illegal, improper, or erroneous purchases as low in both charge card programs, implementation of these recommendations will enhance and further strengthen HUD's controls and oversight activities in this area.

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Background and Objective

On October 5, 2012, then President Obama signed the Charge Card Abuse Prevention Act of 2012, Public Law 112-194 (the Charge Card Act). The Charge Card Act was designed to prevent recurring fraud, waste, and abuse in governmentwide charge card programs. This law required all executive branch agencies to establish and maintain safeguards and internal controls for their use of purchase cards, travel cards, and centrally billed accounts. Further, with respect to purchase cards, it required offices of inspector general to (1) conduct periodic assessments to identify and analyze the risk of illegal, improper, or mistaken purchases and payments; and (2) perform analyses or audits as necessary. Additionally, with respect to travel cards, it required offices of inspectors general to conduct periodic audits or reviews to analyze risks of illegal, improper, or mistaken purchases and payments, if annual agency spending on travel cards exceeded \$10 million. In fiscal year 2023, HUD government travel card spending totaled \$12.3 million.

The U.S. Department of Housing and Urban Development (HUD) uses Citibank as its purchase and travel card provider. HUD contracted with the Accounting Resource Center (ARC) within the Bureau of the Fiscal Service, U.S. Department of the Treasury, to provide supportive services to the HUD purchase and travel card programs. ARC assists with the opening and closing of Citibank card accounts, placing and removing purchasing blocks for HUD-restricted merchant category codes, generating regular monitoring reports, and assisting HUD with required Office of Management and Budget (OMB) reporting.

HUD's Office of the Chief Procurement Officer (OCPO) is the administrator of the government purchase card program and has the overall responsibility for compliance with the purchase card program. This responsibility includes establishing and issuing HUD-wide purchase card guidance; monitoring departmental guidance with procurement guidelines; monitoring program effectiveness; and reporting suspected fraud, waste, abuse, and misuse to the Office of Inspector General (OIG). In fiscal year 2023, HUD government purchase card spending totaled \$6.5 million.

The Office of the Chief Financial Officer (OCFO) administers the HUD travel card program. This responsibility includes establishing travel card guidance, managing the day-to-day operations, monitoring card use, and reporting to OMB on the status of the travel card program. OCFO establishes travel card policies and uses the Federal Travel Regulations at 41 CFR (Code of Federal Regulations) parts 300 through 304 to administer the program.

The objective of our risk assessments was to analyze and identify the risks of illegal, improper, or erroneous purchases and payments within HUD's travel card and purchase card programs to determine whether an audit is warranted or make recommendations and highlight areas of risk that could help HUD strengthen its charge card programs.

Purchase Card Program Risk Assessment

For the period assessed, we determined that the overall risk for the purchase card program in fiscal year 2023 was low. Specifically, we concluded that the risk of illegal, improper, or erroneous purchases and payments made through the HUD purchase card program was low. Our assessment was based on our review of the eight individual risk factors listed below.

- Factor 1: Cardholder to approving official ratio followed policy.
- Factor 2: Policies and procedures were adequate to ensure the proper use of the purchase cards.
- Factor 3: HUD’s OMB Circular A-123¹ review of its purchase card program identified and assessed risks.
- Factor 4: HUD monitored for violations of policy and potential improper use of the purchase card.
- Factor 5: Training policies and procedures were developed and implemented.
- Factor 6: Prior and open investigations were adequately addressed.
- Factor 7: Prior and open audits that provided recommendations for the purchase card program were closed.
- Factor 8: Transaction trend analysis identified potential misuse of purchase card transactions.

Of the eight risk factors, we assessed three as a medium-risk rating and five as a low-risk rating. However, for the risk factors with a medium-risk rating, we identified certain areas that we believe warrant management’s attention.

Table 1 – Results of purchase card program risk assessment

| Risk factor number | Risk results | Risk rating | Numerical risk rating ² X factor weight ³ = weighted risk rating |
|--------------------|---|-------------|--|
| 1 | HUD’s purchase cardholders to approving officials did not exceed the span of control ratio. | Low | 0.1 |
| 2 | The Government Purchase Card Policy Guide had not been updated to reflect HUD’s current processes. The guide also did not contain standard operating procedures | Medium | 0.2 |

¹ OMB Circular A-123 – Management’s Responsibility for Enterprise Risk Management and Internal Control provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control.

² We assigned each risk factor a numerical risk rating (high = 3, medium = 2, and low = 1).

³ We assigned a 0.1 weight to purchase card risk factors 1-2 and 4-7. Factors 3 and 8 were assigned a weight of 0.2, as we wanted to give more value to HUD’s A-123 reviews and our trend analysis.

| Risk factor number | Risk results | Risk rating | Numerical risk rating ² X factor weight ³ = weighted risk rating |
|-------------------------|---|-------------|--|
| | outlining the specific steps in HUD’s monthly purchase card transaction reviews (refer to details below). | | |
| 3 | HUD performed A-123 reviews and determined adequate controls for the purchase card. | Low | 0.2 |
| 4 | HUD’s monthly transaction reviews for the purchase card were incomplete and may not have reported instances of improper use (refer to details below). | Medium | 0.2 |
| 5 | Cardholder training policies were implemented, and training records were maintained. | Low | 0.1 |
| 6 | Purchase card program-related investigations were not initiated, as no referrals were made by HUD to OIG’s Office of Investigation. | Low | 0.1 |
| 7 | All prior audits that provided recommendations for the purchase card program were closed. | Low | 0.1 |
| 8 | Our trend analysis flagged a low level of potential split purchases (refer to details below). | Medium | 0.4 |
| Weighted average | | Low | 1.4* |

*We calculated the weighted average⁴ risk rating as follows: We multiplied the risk rating by the factor weight to obtain the weighted risk rating. We added the weighted risk rating for each factor to calculate the total weighted sum which was then divided by the total weight to calculate the weighted average. We compared the weighted average to our rating scale. A rating of 1.0-1.5 was low, 1.6-2.5 was medium, and 2.6-3.0 was high.

Additional Details of Factors With a Medium Risk Rating

Of the eight factors assessed for the purchase card program, we rated three as medium risk. Below are details discussing our assessment and how we determined a medium-risk rating for those three factors.

Factor 2 - Policies and procedures to ensure the proper use of the purchase cards:

For this risk factor, we reviewed purchase-related policies and procedures to determine whether they provided reasonable assurance that risks were prevented, minimized, or detected in a timely manner. Per OMB Circular A-123, Appendix B – A Risk Management Framework for Government Charge Card Programs, agencies are required to develop policies and procedures to ensure that a system of internal

⁴ The weighted average is the average of a set of numbers, each with different associated weights or values. To find a weighted average, we used a method by which we multiply each number by its weight, then add the results. Refer to formula under the Methodology section.

controls is followed and to mitigate the potential for fraud, misuse, and delinquency, via an annual Charge Card Management Plan. HUD's OCPO developed the Charge Card Management Plan, which outlined the policies and procedures for the charge card at a high level. Additionally, OCPO developed a Government Purchase Card Policy Guide to implement the charge card policy. We determined that OCPO's Government Purchase Card Program Policy Guide did include controls to (1) prevent or detect transactions above the micropurchase limit, (2) ensure closure of charge cards when employees terminate employment, (3) detect unauthorized purchases, and (4) prevent and detect split purchases.⁵ However, we rated this factor as medium because the Government Purchase Card Policy Guide had not been updated to reflect HUD's current processes, and it did not contain standard operating procedures outlining the specific steps taken to execute the controls described in OCPO's policy. For example, the guide did not include details on how OCPO selects transactions for review or how it ensures that it reviewed 25 percent of all potential improper use (flagged) transactions as required by its policy. While OCPO was working on an update, it relied on an outdated policy from 2019. Without this detail, the quality of the control was highly dependent on the judgement of a few people, which increases the risk that the control might not be operating effectively.

Factor 4 – HUD's monitoring for violations of policy and potential improper use of the purchase cards:

For this factor, we reviewed HUD's monitoring to identify confirmed violations involving potential misuse of purchase cards by employees that result in fraud, loss, or misappropriation of funds or assets. Specifically, we reviewed documentation to determine whether the potential misuse of purchase cards resulted in administrative or disciplinary actions and OCPO's monthly transaction review process for identifying and investigating questionable and suspicious transactions. We determined that HUD did not identify any significant potential misuse of purchase cards that would require administrative or disciplinary action. However, we rated this factor as medium because there were weaknesses in OCPO's monthly monitoring review process, and we had concerns that potentially improper use transactions may have been cleared without adequate documentation. Specifically, we noted the following weaknesses in the monthly reviews: (1) flagging of suspicious transactions for investigation involved the subjective judgement of the Agency Program Coordinator rather than a standardized methodology to identify different types of potentially improper use transactions (such as personal use purchases, other prohibited purchases, unauthorized purchases or services, split purchases, and fraudulent purchases), and (2) OCPO did not properly maintain records of review and follow up efforts of suspicious transactions. Some of OCPO's spreadsheets, which track its review of potential misuse transactions, contained transactions that were not reviewed. Further, OCPO could not provide supporting documentation from cardholders to show that the transactions it reviewed did not represent misuse. Therefore, it was difficult to determine the effectiveness of the review and whether the control is effectively implemented as designed. A standard methodology and adequate records are necessary to ensure that reviews are consistently conducted and misuse is appropriately addressed.

Factor 8 – OIG transaction trend analysis for potential misuse of purchase card transactions:

We reviewed the monthly Purchase Card Transaction Reports for October 1, 2022, through September 30, 2023, and used a transaction trend analysis to identify trends of potential misuse or abuse, which may indicate risk. Performing trend analyses is important to identify potential misuse that could negatively

⁵ A split purchase occurs when a total cost exceeds the cardholder's single purchase limit and to avoid going over the limit, the cardholder separates it into two or more transactions as a means of getting around the purchase limit. No cardholder may fragment a purchase that exceeds his or her single purchase limit as a means to use the purchase card, and to do so is a violation.

impact the program and violations of internal policies and external regulations. Also, it can help mitigate future exposure and better manage risks. We tested for potential split purchases by identifying single cardholders who made multiple purchases from the same merchant on the same day, the total of which exceeded the micropurchase threshold limit of \$10,000.⁶ Additionally, we identified questionable transactions within the data set by reviewing OCPO's policy guide⁷ and searching for key words that could represent (1) prohibited purchases, such as decorations for individual offices or personal use consisting of flowers and dry cleaning and luxury items such as health and beauty spas and tourist attractions and (2) purchases requiring special attention, such as advertising and clothing. Our data analysis identified some potential split purchases and questionable transactions (purchases with merchant category code descriptions for dry cleaners, florists, health and beauty spas, tourist attractions, advertising services, and family clothing stores). However, we considered the number of potential instances to be at a low level. We shared the results of our analysis with OCPO, who responded that these transactions did not represent misuse and were not Federal Acquisition Regulation (FAR) violations. OCPO provided general explanations for most of the transactions that we identified as questionable. However, we were not provided detailed explanations with supporting documentation to justify OCPO's position. Based on our analysis and OCPO's response, we rated this factor as medium risk.

Conclusion

For the period assessed, we concluded that the risk of illegal, improper, or erroneous purchases and payments made through the HUD purchase card program was low. As a result of the low overall rating, we determined that an audit of HUD's purchase card program is not warranted. However, HUD could benefit from strengthening some of its processes by developing standard operating procedures for the monthly transaction reviews that align with HUD's policy.

Recommendation

We recommend that HUD's Chief Procurement Officer

1A. Develop a standard operating procedure for the monthly transaction review that aligns with the HUD policy and includes specific procedures on how to (1) identify and review common transactions that raise the level of risk in the program (for example, personal use purchases, other prohibited purchases, unauthorized purchases or services, split purchases, fraudulent purchases, FAR violation purchases, etc.), (2) methodically select transactions for investigation, and (3) followup on identified potential improper transactions, including record-keeping requirements.

⁶ According to the Federal Acquisition Regulation (FAR), micropurchases may be awarded without soliciting competitive quotations. The micropurchase threshold is \$10,000 (FAR 2.101).

⁷ OCPO's Government Purchase Card Program Policy Guide, Appendix C – Prohibited Purchases, and Appendix D – Purchases Requiring Special Attention, contained listings to identify categories of questionable transactions.

Travel Card Program Risk Assessment

For the period assessed, we determined that the overall risk for the travel card program in fiscal year 2023 was low. Specifically, the risk of illegal, improper, or erroneous purchases and payments made through the HUD travel card program was assessed at a low level. Our assessment was based on our review of the eight individual risk factors listed below.

- Factor 1: Travel card spending was \$10 million or more for the fiscal year.
- Factor 2: Policies and procedures were adequate to ensure the proper use of travel cards.
- Factor 3: HUD’s A-123 review of its travel card program identified and assessed risks.
- Factor 4: HUD monitored for violations of policy and potential improper use of the travel charge card.
- Factor 5: Training policies and procedures were developed and implemented.
- Factor 6: Prior and open investigations were adequately addressed.
- Factor 7: Prior and open audits that provided recommendations for the travel card program were closed.
- Factor 8: Transaction trend analysis identified potential misuse of the travel card transactions.

Of the eight risk factors we assessed, two were rated as medium risk, and the remaining six as low risk. For one of the risk factors with a medium rating, we did identify some areas that we believe warrant management’s attention.

Table 2 – Results of travel card program risk assessment

| Risk factor number | Risk results | Risk rating | Numerical risk rating X factor weight ⁸ = weighted risk rating |
|--------------------|---|-------------|---|
| 1 | FY 2023 travel card spending was \$12.3 million. | Medium | 0.2 |
| 2 | Travel card policies and procedures were updated in a timely manner, fully implemented, and contained the necessary elements for the program. | Low | 0.1 |
| 3 | HUD performed A-123 reviews and identified adequate controls for the travel card. | Low | 0.2 |
| 4 | OCFO guidance was not always followed for the monitoring of reports for potential violations of policy | Medium | 0.2 |

⁸ We assigned a 0.1 weight to travel card risk factors 1-2 and 4-7. Factors 3 and 8 were assigned a weight of 0.2, as we wanted to give more value to HUD’s A-123 reviews and our trend analysis.

| Risk factor number | Risk results | Risk rating | Numerical risk rating X factor weight ⁸ = weighted risk rating |
|-------------------------|---|-------------|---|
| | and potential improper use of the travel charge card (refer to details below). | | |
| 5 | Training policies and procedures were developed and implemented, and records of trainings were maintained. | Low | 0.1 |
| 6 | Travel card program-related investigations were not initiated, as no referrals were made by HUD to the OIG Office of Investigation. | Low | 0.1 |
| 7 | Recommendations for audit reports issued on the HUD travel charge card program in the most recent 5 years were closed. | Low | 0.1 |
| 8 | Potential improper use trends were not identified. | Low | 0.2 |
| Weighted average | | Low | 1.2* |

*We calculated the weighted average risk rating as follows: We multiplied the risk rating by the factor weight to obtain the weighted risk rating. We added the weighted risk rating for each factor to calculate the total weighted sum which was then divided by the total weight to calculate the weighted average. We compared the weighted average to our rating scale. A rating of 1.0-1.5 was low, 1.6-2.5 was medium, and 2.6-3.0 was high.

Additional Details of Factors With a Medium Risk Rating

Of the eight factors assessed for the travel card program, we rated two as medium risk. Below are details discussing our assessment and how we determined a medium-risk rating for those two factors.

Factor 1 – HUD travel card spending:

This factor was rated medium because statute mandates periodic reviews of an agency’s travel card program when spending exceeds \$10 million annually; and for fiscal year 2023, HUD’s spending was more than \$12 million.

Factor 4 – HUD's monitoring for violation of policy and potential improper use of the travel charge card:

For this factor, we reviewed HUD’s monitoring to identify policy violations and improper use of the travel card. Day-to-day management of the government travel card program is OCFO’s responsibility, and reports are sent to program office administrative officers to be reviewed in greater detail and followup on potential exceptions. We assessed HUD’s monitoring for this risk factor as medium because HUD program offices did not follow up on potentially improper transactions in a timely manner. Specifically, some program office reviewers did not follow OCFO guidance on how the monitoring reports should be completed or certify that they had reviewed the reports and taken followup actions. Additionally, if program offices are not responsive or do not follow OCFO’s procedures, OCFO lacks the authority to require action because there is no departmentwide policy. Consequently, OCFO cannot determine

whether the items identified as potentially improper use are resolved. While this condition increases risk, we noted that for the 4 months assessed, there were only 19 cardholders with potentially unauthorized transactions that had not been resolved by program offices. The value of the potentially unauthorized transactions totaled \$1,140. Our review did not assess or review the travel authorizations.

We also noted that HUD did not sufficiently monitor for employees who did not use their government travel card when required⁹ for official travel-related purchases. Previously, in response to an OIG recommendation, HUD's shared service provider, ARC, provided HUD with a report, entitled "HUD Expenses Requiring Individually Billed Account (IBA) Use," which detailed instances in which employees did not use their travel card when required. This report allowed HUD to monitor for compliance with Federal Travel Regulations and to fully benefit from travel card vendor rebates. We found that HUD did not obtain this report on a monthly or regular basis and had not implemented other monitoring procedures.

Conclusion

For the period assessed, we concluded that the risk of illegal, improper, or erroneous purchases and payments made through the HUD travel card program was low. As a result of the low overall rating, we determined that an audit of HUD's travel card program is not warranted. However, HUD could benefit from strengthening some of its processes related to monthly monitoring processes.

Recommendation

We recommend that the HUD Chief Financial Officer

2A. Develop and fully implement a departmentwide policy for the monthly transaction review process that requires program office participation and timely completion of the review and certification.

2B. Update OCFO's travel card monitoring procedures to obtain, review, and monitor the IBA Use report on a regular basis to ensure compliance with purchases required to be made on the government travel card.

⁹ The Federal Travel Regulation, part 301-51, requires the use of the government contractor-issued travel charge card as the method of payment for all official travel expenses unless exempted under part 301.51.2.

Scope and Methodology

The risk assessment period covered fiscal year 2023 (October 1, 2022, through September 30, 2023). We performed our review remotely and in Washington, DC from August through December 2023.

To accomplish our objective for both programs, we

- Reviewed Public Law 112-94 (Charge Card Act)
- Reviewed other OIG agency risk assessment reports and considered OMB Circular A-123, appendix B, guidance for agency annual Charge Card Management Plans.
- Using the information obtained, identified eight relevant risk factors affecting HUD's charge card programs (discussed in the result sections above) and judgmentally developed criteria for risk assignment to evaluate those risk factors.
- Developed and assigned a risk rating and weight to each criterion based on prior audit experience and auditor judgment.
- Reviewed the results of HUD's A-123 for the charge card.
- Analyzed HUD's charge card transactions and spending data to determine the amount spent in fiscal year 2023 for the purchase and travel card programs.
- Interviewed HUD's personnel to obtain an understanding of their processes.
- Inquired about and obtained documentation to assess information related to charge card violations, audits, and investigations.
- Reviewed HUD's charge card training policies and procedures and obtained documentation to support implementation of the training requirements.

We used the eight risk factors identified to assess the level of risk in HUD's purchase and travel card programs (refer to appendix A below for factors and related risk criteria). Each area contained individual risk factors used to determine the program risk in that area. We assigned risk criteria for each area based on prior experience and auditor judgment (see bullet two above.)

To determine whether to initiate an audit for each program, we developed a weighted average overall risk rating for the purchase and travel card assessments. For both areas, we gave each factor a risk rating of low, medium, and high, based on the related risk criteria, and developed a numerical risk rating as follows: low = 1, medium = 2, and high = 3. Next, we assigned a weight to each factor based on auditor judgment. The total of the weights equaled 1. To calculate the weighted average risk rating, we multiplied each numerical risk rating by its corresponding weight and added the total. The following details the steps to calculate a weighted average.

Step 1: Calculate the weighted sum: (numerical risk rating factor 1 x weight assigned to factor 1) + (numerical risk rating factor 2 x weight assigned to factor 2) + (numerical risk rating factor 3 x weight assigned to factor 3) + (numerical risk rating factor 4 x weight assigned to factor 4) + (numerical risk rating factor 5 x weight assigned to factor 5) + (numerical risk rating factor 6 x weight assigned to factor 6) + (numerical risk rating factor 7 x weight assigned to factor 7) + (numerical risk rating factor 8 x weight assigned to factor 8). = total weighted sum

Step 2: Calculate weighted average: total weighted sum / sum of (weight 1 + weight 2 + weight 3 + weight 4 + weight 5 + weight 6 + weight 7 + weight 8).

Using the scale below, we assigned a risk range for the overall weighted average risk rating of low, medium, or high. If the overall weighted average risk fell into the low category, we would not proceed to an audit.

| Risk | Range for overall rating scale |
|-------------|---------------------------------------|
| Low | 1.0-1.5 |
| Medium | 1.6-2.5 |
| High | 2.6-3.0 |

For the purchase card program, we assessed OCPO’s monthly monitoring process for the period October 1, 2022, through September 30, 2023. SAS Office Analytics software was used to perform trend analyses on all fiscal year 2023 purchase card transactions, looking for FAR violations such as potential split purchases. Additionally, we judgmentally identified questionable transactions within the data. Potential split purchases involved charges for Office of Public and Indian Housing, Office of Housing, Office of the Chief Administrative Officer, and OCPO training. Questionable transactions related to specific vendors for dry cleaning, clothing, florists, tourist attractions, advertising, health, and beauty. We did not identify any significant trends of potential improper use.

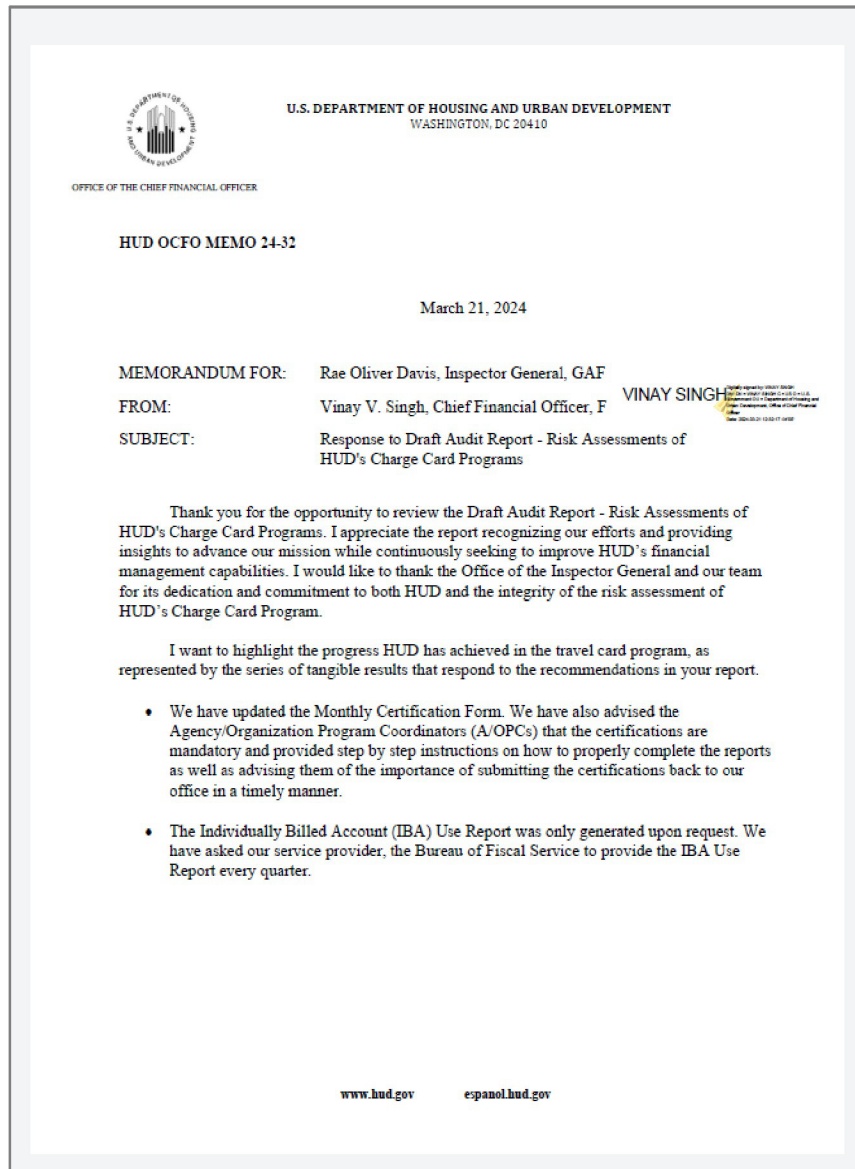
For the travel card program, we assessed OCFO’s travel card monthly monitoring certification reports for quarter end months of December 2022, March 2023, June 2023, and September 2023 in fiscal year 2023. SAS Office Analytics software was used to identify trends within all the fiscal year 2023 travel card transactions to identify those that were potentially ineligible or for personal benefit. Our review looked for purchases made at casino hotels, cash advances, or other transactions that occurred on a holiday or weekend day; multiple instances of more than two taxis on the same day; and merchant codes that lacked a description. We did not identify any significant trends of potential improper use.

We conducted our risk assessment in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objective.

Appendixes

Appendix A – Reviewed Entity Comments and OIG’s Evaluation

On March 8, 2024, OIG issued the draft report to OCPO and OCFO. On March 21, 2024, OCPO’s Division Director, on behalf of the Chief Procurement Officer, informed OIG that OCPO did not have any comments to the report, and it chose not to provide a memo. The OCFO’s comments are below, which discuss the progress it has made in its travel card program and new actions it is taking in response to our recommendations. We acknowledge OCFO’s actions and look forward to working together through the audit resolution process.



Appendix B – Risk Criteria Tables

Purchase card program

| # | Risk factor | High criteria | Medium criteria | Low criteria |
|---|---|---|---|--|
| 1 | Cardholder to approving official ratio followed policy. | Ratio of cardholders to approving officials was three or more above the established limit per the agency. | Ratio of cardholders to approving officials was one or two above the established limit per the agency. | Ratio of cardholders to approving officials was at or below the established limit per the agency. |
| 2 | Policies and procedures were adequate to ensure the proper use of the purchase cards. | Purchase card policies and procedures were implemented but did not include the most recent regulations and HUD guidance or lacked important information that could create risk. | Purchase card policies and procedures were updated but not fully implemented. Also, the agency lacked proper standard operating procedures that covered the following: (1) controls that would prevent or detect transactions above the micropurchase limit, (2) controls to ensure closure of charge cards when employees terminate employment, (3) controls to detect unauthorized purchases, and (4) controls to prevent and detect split purchases. | Purchase card policies and procedures were updated in a timely manner, fully implemented, and contained the following elements: (1) controls that would prevent or detect transactions above the micropurchase limit, (2) controls to ensure closure of charge cards when employees terminate employment, (3) controls to detect unauthorized purchases, and (4) controls to prevent and detect split purchases. |
| 3 | HUD's A-123 review of its purchase card program identified and assessed risks. | Compensating controls were not developed or implemented to mitigate the risks identified in the agency A-123 review. | The agency A-123 review identified weaknesses in the controls for the purchase card. | The agency A-123 review identified adequate controls for the purchase card. |
| 4 | HUD monitored for violations of policy and potential improper use of the purchase card. | Reports of potential purchase card violations were not monitored and resolved. | Reports were monitored, but potential purchase card violations were not resolved. | Reports were monitored with no reportable instance of potential purchase card violations. |
| 5 | Training policies and procedures were developed and implemented. | Cardholder trainings were not tracked, or the cardholder's training status was not updated or retained. | Cardholder training policies and records of status of staff trainings were inaccurate. | Cardholder training policies and records of status of staff trainings were updated. |

| # | Risk factor | High criteria | Medium criteria | Low criteria |
|---|--|---|---|---|
| 6 | Prior and open investigations were adequately addressed. | Purchase card program-related investigations identified an error or fraud, and corrective action was not implemented. | Purchase card program-related investigations were ongoing or were concluded, and appropriate corrective action was implemented. | Purchase card program-related investigations were not initiated, as no referrals were made by HUD to OIG's Office of Investigation. |
| 7 | Prior and open audits that provided recommendations for the purchase card were closed. | Program was not audited in the last 5 years. | Program was audited in the last 5 years, but all associated audit recommendations were not fully implemented. | Program was audited in the last 5 years, and all associated recommendations were fully implemented and closed. |
| 8 | Transaction trend analysis identified potential misuse of purchase card transactions. | Potential improper use trends identified were at a high level. | Potential improper use trends identified were at a low level. | Potential improper use trends did not exist. |

Travel card program

| # | Risk factor | High criteria | Medium criteria | Low criteria |
|---|---|---|--|---|
| 1 | Travel card spending was \$10 million or more for the fiscal year. | Travel card expenditures were more than \$15 million. | Travel card expenditures were \$10-\$15 million. | Travel card expenditures did not exceed \$10 million. |
| 2 | Policies and procedures were adequate to ensure the proper use of travel cards. | Travel card policies and procedures were implemented but did not include the most recent regulations and HUD guidance or lacked important information that could create risk. | Travel card policies and procedures were updated but not fully implemented. Also, the agency lacked proper standard operating procedures that covered the following: (1) controls to ensure the review and approval of travel transactions; (2) controls to ensure that card balances were paid when required; and (3) controls to prevent and detect illegal, improper, or erroneous purchases. | Travel card policies and procedures were updated in a timely manner, fully implemented, and contained the following elements: (1) controls to ensure the review and approval of travel transactions; (2) controls to ensure that card balances were paid when required; and (3) controls to prevent and detect illegal, improper, or erroneous purchases. |
| 3 | HUD's A-123 review of its travel card program | Compensating controls were not developed or implemented to | The agency A-123 review identified weaknesses in | The agency A-123 review identified adequate controls for the travel card. |

| # | Risk factor | High criteria | Medium criteria | Low criteria |
|---|--|---|---|--|
| | identified and assessed risks. | mitigate the risks identified in the agency A-123 review. | the controls for the travel card. | |
| 4 | HUD monitored for violations of policy and potential improper use of the travel charge card. | Reports of potential travel card violations were not monitored and resolved. | Reports were monitored, but travel card violations were not resolved. | Reports were monitored with no reportable instance of travel card violations. |
| 5 | Training policies and procedures were developed and implemented. | Cardholder trainings were not tracked, or the cardholder's training status was not updated or retained. | Cardholder training policies and records of status of staff trainings were inaccurate. | Cardholder training policies and records of status of staff trainings were updated. |
| 6 | Prior and open investigations were adequately addressed. | Travel card program-related investigations identified an error or fraud, and corrective action was not implemented. | Travel card program-related investigations were ongoing or were concluded, and appropriate corrective action was implemented. | Travel card program-related investigations were not initiated. |
| 7 | Prior and open audits that provided recommendations for the travel card program were closed. | Program was not audited in the last 5 years. | Program was audited in the last 5 years, but all associated audit recommendations were not fully implemented. | Program was audited in the last 5 years, and all associated recommendations were fully implemented and closed. |
| 8 | Transaction trend analysis identified potential misuse of the travel card transactions. | Potential improper use trends identified were at a high level. | Potential improper use trends identified were at a low level. | Potential improper use trends were not identified. |