



DEPARTMENT OF HEALTH AND HUMAN SERVICES

## OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



January 31, 2019

Mr. Mick Mulvaney  
Director  
Office of Management and Budget  
725 17th Street NW  
Washington, DC 20503

Dear Mr. Mulvaney:

The purpose of this letter is to describe the progress that the Department of Health and Human Services (HHS), Office of Inspector General (OIG), annual risk assessment. This letter meets the requirements of the Government Charge Card Abuse Prevention Act of 2012 (P.L. No. 112-194) (Charge Card Act). This letter also explains how we conducted the Charge Card Act annual risk assessment.

The Charge Card Act and Office of Management and Budget (OMB) Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require executive-branch agencies (agencies) to be aware of charge-card-related audit findings and to ensure that the findings are promptly resolved after completion of an audit. In addition, Inspectors General must report to the Director of OMB no more than 120 days after the end of each fiscal year (FY) on their agencies' progress in implementing audit recommendations.

The Charge Card Act also requires agencies to establish and maintain safeguards and internal controls for the charge card program.<sup>1</sup> The charge card program includes purchase, travel, integrated, and centrally billed government credit cards. OIGs are required to conduct annual risk assessments of agency purchase cards, including convenience checks,<sup>2</sup> combined integrated card programs, and travel card programs to analyze the risks of illegal, improper, and erroneous purchases and payments. OIGs must report to the heads of their agencies on the results of their analyses. Further, for agencies with more than \$10 million in travel card spending, OIGs must conduct periodic audits or reviews of travel card programs to analyze risks of illegal, improper, or erroneous purchases and payments.

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<sup>1</sup> The Charge Card Act also includes provisions that agencies and OIGs are responsible for beyond what is addressed in this report. For example, the agency head and OIG are required to prepare a semiannual Joint Purchase and Integrated Card Violation Report due on January 31 and July 31 to the director of OMB.

<sup>2</sup> Convenience checks are used in the purchase card program to make purchases from merchants that do not accept purchase cards.

## **Audit Recommendations Status Report**

During FY 2018, we issued the following three audit reports related to HHS's charge card programs:

- *The Indian Health Service's Controls Were Not Effective in Ensuring That Its Travel Card Program Complied With Federal Requirements and Its Own Policy* (A-07-16-05091), April 2018.
- *The Indian Health Service's Controls Were Not Effective in Ensuring That Its Purchase Card Program Complied With Federal Requirements and Its Own Policy* (A-07-16-05090), July 2018.
- *The Office of the Secretary of Health and Human Services Did Not Comply With Federal Regulations for Chartered Aircraft and Other Government Travel Related to Former Secretary Price* (A-12-17-00002), July 2018.

We describe each report (including the reported findings) and the recommendations<sup>3</sup> we made below.

### *The Indian Health Service's Controls Were Not Effective in Ensuring That Its Travel Card Program Complied With Federal Requirements and Its Own Policy* (A-07-16-05091)

We reviewed and analyzed a stratified sample of 151 travel card transactions for travel card expenditures incurred by the Indian Health Service (IHS) during FY 2015. We also reviewed the Charge Card Act, other relevant statutes and regulations, and HHS and IHS requirements and policy regarding the proper use of travel cards. Additionally, we reviewed the policies and procedures that IHS had in place during FY 2015 to evaluate the effectiveness of IHS's controls over its travel card program.

IHS's travel card program did not always comply with Federal requirements or IHS's own policy. Specifically, 16 transactions (of the 151 transactions we tested) did not comply with Federal requirements or IHS policy regarding proper travel card use. These errors occurred because, although IHS had controls in place to educate cardholders on the requirements for the use of the travel card, the controls did not always prevent misuse of the travel card. Additionally, although IHS had controls in place to monitor cardholders, those controls did not always identify noncompliance.

We recommended that IHS reemphasize the requirements for the use of the travel card to ensure that all travel cardholders are aware of the requirements and ensure that travel card usage is adequately monitored for compliance with travel card requirements.

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<sup>3</sup> As of the date of the letter, all recommendations are unimplemented.

*The Indian Health Service's Controls Were Not Effective in Ensuring That Its Purchase Card Program Complied With Federal Requirements and Its Own Policy (A-07-16-05090)*

We reviewed and analyzed a stratified sample of 136 purchase card transactions incurred by IHS during FY 2015. We also reviewed the Charge Card Act, other relevant statutes and regulations, and HHS and IHS requirements and policy regarding the proper use of purchase cards. Additionally, we reviewed the policy and procedures that IHS had in place during FY 2015 to evaluate the effectiveness of IHS's controls over its purchase card program.

IHS's purchase card program did not always comply with Federal requirements or IHS's own policy. Specifically, 25 transactions (of the 136 transactions we tested) were in error because they did not comply with Federal requirements or IHS's policy either for proper purchase card use or for supporting documentation. These errors occurred because IHS's controls for the administration of its purchase card program—controls that included monitoring as well as educating cardholders—were not adequate to ensure that transactions complied with Federal requirements or IHS's policy.

We recommended that IHS strengthen controls to ensure that purchase cardholders comply with Federal requirements and IHS's own policy by adequately monitoring purchase card usage and ensuring that all IHS purchase cardholders complete the HHS-required training on the use of the purchase card.

*The Office of the Secretary of Health and Human Services Did Not Comply With Federal Regulations for Chartered Aircraft and Other Government Travel Related to Former Secretary Price (A-12-17-00002)*

We reviewed former Secretary Price's Federal travel during his tenure at HHS. His travel included 21 trips using chartered aircraft, military aircraft (MilAir), commercial aircraft, and the Presidential fleet, which totaled about \$1.2 million. We reviewed processes to authorize the use of and procure chartered aircraft services. We also reviewed travel authorizations and vouchers, travel receipts, flight manifests, and former Secretary Price's repayment of \$59,390.

Former Secretary Price's use of chartered aircraft, MilAir, and commercial aircraft did not always comply with applicable Federal regulations or HHS policies and procedures. As a result, the Office of the Secretary improperly used Federal funds related to former Secretary Price's travel. Of the 21 trips, we determined that, for 1 trip, all applicable Federal requirements had been followed. The remaining 20 trips did not comply with Federal requirements, including all 12 chartered aircraft trips. Examples of noncompliance regarding the use of chartered aircraft included not completing a cost comparison to commercial airline service, not adhering to contract requirements, and not properly authorizing the use of chartered aircraft. We also found specific instances of noncompliance related to the travel records for former Secretary Price and certain HHS travelers. Insufficient review of authorizations and vouchers, combined with the failure of many employees to complete required travel card training, contributed to these instances of noncompliance. Overall, we determined that the use of chartered aircraft and identified noncompliance issues resulted in waste of Federal funds totaling approximately \$341,000.

We recommended that the Office of the Secretary review the lack of compliance with Federal requirements and, based on the review, determine appropriate administrative actions to recoup (1) \$333,014 related to the authorization and use of chartered aircraft, (2) \$4,926 related to travel that started or ended in locations other than the official duty station, and (3) \$2,960 related to other excess travel costs. We also made procedural recommendations to improve processes and internal controls related to the use of chartered aircraft and to ensure compliance with applicable Federal regulations and HHS policies and procedures.

### **Annual Risk Assessment**

Pursuant to the Charge Card Act, we performed a risk assessment of HHS's charge card program for FY 2017.<sup>4</sup> To assess HHS's ability to manage internal controls for and risk in its charge card program, we used the Enterprise Risk Management-Integrated Framework (ERM) developed by the Committee of Sponsoring Organizations of the Treadway Commission.<sup>5</sup> ERM consists of five interrelated components that are derived from the way management runs an organization: Governance and Culture; Strategy and Objective-Setting; Performance; Review and Revision; and Information, Communication, and Reporting. ERM provides a common language, concepts, and principles that facilitate targeting the riskiest organizations and transactions to audit, study, and investigate.

In our previous<sup>6</sup> charge-card-program risk assessments, we looked at all of the purchase and travel card expenditures made by 3 staff divisions and 11 operating divisions.<sup>7</sup> This year, we evaluated two additional staff divisions within the Office of the Secretary and reevaluated an operating division that we had not included in our assessment since 2014. To identify which of the major operating divisions needed to be reassessed, we identified high-risk payments by focusing on purchase limits, sales tax, and split transactions for purchase card payments made between October 1, 2016, and March 30, 2018, for some operating divisions. We will evaluate additional staff and operating divisions next FY.

As part of our risk assessment for FY 2017, we identified the controls, procedures, and practices that, if present and functioning properly, indicate that the associated risk of inappropriate transactions is at an acceptable level. We evaluated the likelihood of a risk event occurring and the magnitude of the event's impact. Our risk assessment has led us to identify a staff division

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<sup>4</sup> This was the most recently completed FY at the time we began our annual risk assessment. We examined procedures for FY 2017. We also analyzed payments from October 1, 2016, through March 30, 2018.

<sup>5</sup> The Committee of Sponsoring Organizations of the Treadway Commission is a joint initiative of five private-sector organizations dedicated to providing leadership through the development of frameworks and guidance on enterprise risk management, internal controls, and fraud deterrence designed to improve organizational performance and governance and to reduce the extent of fraud in organizations. The most recent version of the framework was updated June 2017.

<sup>6</sup> We previously performed risk assessments for the FY 2013, 2014, 2015, and 2016 purchase and travel card programs.

<sup>7</sup> HHS has 11 operating divisions, including 8 agencies in the U.S. Public Health Service and 3 human services agencies. The Office of the Secretary oversees the operating divisions with 14 staff divisions.

with high-risk travel and purchase card programs. Accordingly, we will take steps to determine the nature and extent of an audit.

Our previous risk assessments of the purchase and travel card programs have identified moderate- and high-risk areas within HHS operating and staff divisions that warranted stronger mitigating controls. We discussed these moderate- and high-risk areas with the operating and staff divisions and the Secretary's delegates for the purchase and travel card programs. We have audited all programs that were previously identified as high risk.

Our current FY 2017 risk assessment included data analysis and judgmental transaction testing to verify that the controls relating to the charge card programs were functioning as intended. We found that the operating and staff divisions are implementing or planning to implement steps to help mitigate risk in their purchase and travel card programs. We will continue to monitor HHS risk levels through future risk assessments and will plan our audits and investigations accordingly.

If you have any questions or concerns regarding this letter, please do not hesitate to call me, or your staff may contact Amy J. Frontz, Assistant Inspector General for Audit Services, at (202) 619-1157 or through email at [Amy.Frontz@oig.hhs.gov](mailto:Amy.Frontz@oig.hhs.gov). Please refer to report number A-04-18-06225 in all correspondence.

Sincerely,

/Gloria L. Jarmon/  
Deputy Inspector General  
for Audit Services

cc:

Joseph Pika  
Director and Audit Liaison, Division of Payment Integrity Improvement  
OS/ASFR/Office of Finance