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Office of Inspector General  
United States Department of State

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Office of Audits

November 2024

# Information Report: Department of State 2024 Travel Card Risk Assessment

INFORMATION REPORT

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## SUMMARY OF REVIEW

The Government Charge Card Abuse Prevention Act of 2012,<sup>1</sup> as implemented by Office of Management and Budget (OMB) Circular A-123, Appendix B,<sup>2</sup> requires the Office of Inspector General (OIG) to conduct annual risk assessments of agency purchase and travel card programs. The assessments are conducted to identify and analyze the risk of illegal, improper, or erroneous purchases and payments and to determine the appropriate scope, frequency, and number of periodic audits of these programs.<sup>3</sup>

To assess risk associated with the Department of State's (Department) travel card program, OIG reviewed the Department's FY 2023 travel card data and concluded that the risk of illegal, improper, or erroneous purchases and payments within the Department's travel card program was "medium." OIG based its conclusion on the travel card program's size, internal controls, training, previous audits, and OIG Office of Investigations (INV) observations.

Because OIG concluded that risk to the travel card program is "medium," OIG is not recommending that an audit of the Department's travel card program be included in OIG's FY 2026 work plan. However, OIG encourages Department officials to continue prudent oversight of the travel card program to ensure that internal controls intended to safeguard taxpayer funds are fully implemented and followed by Department travel card holders.

## OBJECTIVE

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OIG conducted this risk assessment to establish the risk of illegal, improper, and erroneous purchases and payments within the Department travel card program and to determine the appropriate scope, frequency, and number of audits that should be conducted on the basis of the aforementioned risk assessment.

## BACKGROUND

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The Government Charge Card Abuse Prevention Act of 2012, as implemented by OMB Circular A-123, Appendix B, requires OIG to conduct annual periodic risk assessments of agency purchase and travel card programs. The assessments are conducted to identify and analyze the risk of illegal, improper, or erroneous purchases and payments and to determine the appropriate scope, frequency, and number of periodic audits of these programs.<sup>4</sup> In addition, OMB Circular A-123, Appendix B, outlines OIG risk assessment requirements as well as additional required internal controls for agency charge card programs. Furthermore, OMB

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<sup>1</sup> Public Law 112-194 (October 5, 2012).

<sup>2</sup> OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control" (July 15, 2016), Appendix B, "A Risk Management Framework for Government Charge Card Programs" (August 27, 2019).

<sup>3</sup> Public Law 112-194, Sec. 2 § 1909(d)(1) and Sec. 3 (h)(3).

<sup>4</sup> Ibid.

issued guidance<sup>5</sup> that prescribes policies and procedures regarding how agencies should maintain internal controls to reduce the risk of fraud, waste, and error in government charge card programs.

The 2024 risk assessment of the Department's travel card program, which covers FY 2023 spending data, is the 10th risk assessment of the Department's travel card program conducted by OIG. Department officials reported that in FY 2023, 14,936 travel card holders (13,861 individually billed accounts and 1,075 centrally billed accounts) made purchases totaling approximately \$273 million (\$29 million for individually billed accounts and \$244 million for centrally billed accounts).

The purpose of this information report is to convey the results of this risk assessment and promote the timely implementation of management practices that will result in the sound stewardship of U.S. taxpayer dollars. See Appendix A for additional details on the purpose, scope, and methodology of this risk assessment.

## RESULTS

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### Criteria Ratings

On the basis of documentation and information provided by Department officials, OIG determined that the Department generally complied with required internal controls for the travel card program. Specifically, 97 percent (59 of 61) of the internal controls OIG assessed complied with established criteria,<sup>6</sup> including 92 percent (24 of 26) compliance with internal controls specific to travel cards. Because the majority (97 percent) of assessed internal controls complied with established criteria, OIG assigned the Department a risk rating of "low" for the internal control criterion.

OIG rated the availability of training and the incorporation of training into Department policies "low" risk because Department officials provided detailed documentation regarding available training and policies requiring travel card holders and approving officials to complete appropriate training related to travel cards.

With respect to the previous audits criterion, OIG issued a report on the Department's travel card program in September 2016.<sup>7</sup> That report included seven recommendations. As of October 8, 2024, six recommendations had been implemented and closed, and one recommendation was resolved, pending further action. Therefore, OIG determined that the risk associated with the previous audits criterion was "medium."

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<sup>5</sup> OMB Circular A-123, Appendix B.

<sup>6</sup> See Appendix A of this report for details on the criteria used.

<sup>7</sup> OIG, *Audit of the Department of State Travel Card Program* (AUD-CGI-16-48, September 2016).

In addition, INV forensic auditors stated that INV did not have any open investigations related to the Department’s travel card program. The information provided by INV resulted in a “low” risk rating for the INV observation criterion. The individual criterion ratings and overall combined rating are shown in Table 1.

**Table 1: 2023 Risk Rating by Criterion**

<b>Criterion</b>	<b>2023 Rating</b>
Internal Controls	Low
Training	Low
Previous Audits	Medium
INV Observation	Low
<b>Combined</b>	<b>Low*</b>

\*OIG assigned numeric values to individual criterion ratings and averaged the total to identify a combined rating. Criteria rated as “low” risk were assigned a numeric value of 1; criteria rated as “medium” risk were assigned a numeric value of 2; criteria rated as “high” risk would have been assigned a numeric value of 3.

**Source:** Generated by OIG based on its analysis of the Department’s FY 2023 travel card program information and documentation.

### Impact and Likelihood Factor

Department officials reported that 14,936 Department travel card holders made purchases totaling approximately \$273 million in FY 2023. Because the dollar amount of the total purchases made was more than \$10 million and the number of Department travel card holders was more than 500, OIG determined that the overall impact and likelihood factor was “very high,” as shown in Table 2.<sup>8</sup>

**Table 2: Impact and Likelihood Factor**

		<b>2023 Rating</b>
<b>Impact</b>	\$273 million	High
<b>Likelihood</b>	14,936 cardholders	High
<b>Impact and Likelihood Factor</b>		<b>Very High</b>

**Source:** Generated by OIG based on its analysis of the Department’s travel card program information and documentation related to total Department purchases in FY 2023 and the number of travel card holders.

### Risk Assessment

OIG determined that the overall risk of illegal, improper, or erroneous purchases and payments within the Department’s travel card program was “medium.” Therefore, OIG is not recommending that an audit of the Department’s travel card program be included in OIG’s FY 2026 work plan. However, OIG encourages the Department’s travel card program manager

<sup>8</sup> Refer to Appendix A, Tables A.1 and A.2, for OIG’s methodology in determining the impact and likelihood factor.

to fully implement the recommendations made in OIG's 2016 travel card audit report,<sup>9</sup> continue prudent oversight of the travel card program, and ensure that internal controls intended to safeguard taxpayer funds are fully implemented and followed by Department travel card holders. This is particularly important given the "very high" rating for impact and likelihood, which is based on the dollars spent in the Department's travel card program and the number of cardholders in the Department's travel card program.

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<sup>9</sup> AUD-CGI-16-48, page 7.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) performed this risk assessment from July to October 2024. The objectives of this assessment were to establish the risk of illegal, improper, and erroneous purchases and payments within the Department of State (Department) travel card program and to determine the appropriate scope, frequency, and number of audits that should be conducted on the basis of the aforementioned risk assessment. To perform this risk assessment, OIG considered the Department’s travel card program size, internal controls, training, previous audits, and OIG Office of Investigations (INV) observations. OIG conducted this risk assessment using industry standard principles for risk management.<sup>1</sup>

This risk assessment was not an audit and was not conducted in accordance with generally accepted government auditing standards. The results of this risk assessment should not be interpreted to conclude that a travel card program with lower risk is free of illegal, improper, or erroneous purchases or payments or that internal control deficiencies do not exist. Conversely, a higher risk program may not necessarily signify illegal, improper, or erroneous purchases or payments—only that the program’s conditions are conducive to those activities.

Regardless of the risk assessment results, if the travel card program were to be audited, an audit team might identify such issues through independent testing of travel card data. For example, a travel card program may be found to be “very low” risk on the basis of documentation and other information provided by agency officials, the number of cardholders, and the total amount of travel card expenditures. However, an audit of that travel card program may determine that the internal controls outlined in an agency’s policy are not being implemented appropriately and that illegal, improper, or erroneous activity is occurring. This risk assessment was designed to help identify those programs on which the OIG Office of Audits should focus its limited resources.

### **Assessment Criteria**

To conduct this risk assessment, OIG reviewed FY 2023 travel card data, documentation and information provided by Department officials.<sup>2</sup> OIG assessed the travel card program on the basis of four criteria: internal controls, training, previous audits, and INV observations. OIG assigned a rating of “low,” “medium,” or “high” to identify the risk associated with each criterion.<sup>3</sup>

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<sup>1</sup> Committee of Sponsoring Organizations of the Treadway Commission, “Enterprise Risk Management – Integrated Framework Executive Summary” (September 2004); Deloitte & Touche, LLP, “Risk Assessment in Practice” (October 2012).

<sup>2</sup> In performing this risk assessment, OIG used travel card data reported by the Department without independently verifying the data for accuracy and completeness. The Department travel card program manager reported that travel card holders made purchases totaling approximately \$273 million in FY 2023.

<sup>3</sup> OIG team members used professional judgment to determine compliance with requirements in assessing risk ratings for each criterion.

### ***Internal Controls***

OIG used criteria identified in the Government Charge Card Abuse Prevention Act of 2012<sup>4</sup> and Office of Management and Budget (OMB) Circular A-123, Appendix B,<sup>5</sup> to assess internal controls associated with the Department's travel card program. OIG assessed the travel card program for 35 general internal controls and 26 internal controls specific to travel card programs (a total of 61 internal controls assessed). An example of a general control, which would apply to both purchase card and travel card programs, is the OMB Circular A-123 requirement that agencies perform periodic reviews of spending and transaction limits to ensure appropriateness.<sup>6</sup> Travel card-specific controls—such as the requirement that agencies monitor the accuracy of rebates and refunds that are based on prompt payment, sales volume, or other agency actions on travel charge card accounts—apply only to travel card programs.<sup>7</sup> OIG assigned a risk rating of “low,” “medium,” or “high” on the basis of documented compliance with required internal controls. Specifically, OIG assigned a “low” risk rating to programs with a high percentage (above 75 percent) of compliant internal controls. OIG assigned a “medium” risk rating to programs with neither a high percentage of compliant internal controls nor a high percentage of noncompliant internal controls. OIG assigned a “high” risk rating to programs with a high percentage (above 50 percent) of noncompliant internal controls.

### ***Training***

OIG assigned the Department's travel card program a risk rating of “low,” “medium,” or “high” based on the availability of training and incorporation of training into its policies for the program. Specifically, OIG assigned a “low” risk rating when training was available and incorporated into policies. OIG assigned a “medium” risk rating when training was available but not incorporated into policies or when training was not available but was incorporated into policies. OIG assigned a “high” risk rating when training was not available and was not incorporated into the organization's policies.

### ***Previous Audits***

To assess the Department's travel card program, OIG reviewed the results of previous audits and the implementation status of associated recommendations. OIG assigned a “low” risk rating to programs that had been audited in the last 10 years and had fully implemented associated recommendations. OIG assigned a “medium” risk rating to programs that had been audited in the last 10 years but had not fully implemented the associated recommendations. OIG assigned a “high” risk rating to programs that had not been audited within the last 10

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<sup>4</sup> Public Law 112-194 (October 5, 2012), Sec. 3(h)(1)(A)-(I).

<sup>5</sup> OMB Circular A-123, “Management's Responsibility for Enterprise Risk Management and Internal Control” (July 15, 2016), Appendix B, “A Risk Management Framework for Government Charge Card Programs” (August 27, 2019).

<sup>6</sup> OMB Circular A-123, Appendix B, Attachment 5, “Best Practices in Managing Government Charge Card Programs.”

<sup>7</sup> Public Law 112-194, Sec. 3(h)(1)(B).

years. The ratings were mitigated if the program provided documentation of meaningful internal reviews (conducted by the agency).

**INV Observations**

On the basis of guidance from INV forensic auditors, OIG assigned the Department’s travel card program a risk rating of “low,” “medium,” or “high.” Office of Audits personnel met with INV personnel to gain an understanding of the data mining<sup>8</sup> efforts INV was using to review Department travel card transactions. INV provided information on the results of its data mining analyses and interviews with Department officials responsible for the travel card program.

**Impact and Likelihood**

Impact refers to the extent to which a risk event might affect the Department, and likelihood represents the possibility that a given event might occur. OIG assigned an impact rating of “low,” “medium,” or “high” based on the dollars spent in the Department’s travel card program and assigned a likelihood rating of “low,” “medium,” or “high” based on the number of cardholders in the Department’s travel card program. The rating criteria are shown in Table A.1.

**Table A.1: Impact and Likelihood Ratings**

Rating	Impact	Likelihood
Low	Less than \$1 million	Fewer than 250 cardholders
Medium	\$1 million to \$10 million	250 to 500 cardholders
High	More than \$10 million	More than 500 cardholders

**Source:** Generated by OIG based on multiple sources, including industry standard principles for risk management.

Using the information obtained in Table A.1, OIG plotted the impact and likelihood ratings on a chart known as a heat map, which depicts the intersections of the ratings, to determine the impact and likelihood factor. The heat map is shown in Table A.2. OIG used this single impact and likelihood combined factor in the final overall risk assessment (Table A.3) for the Department’s travel card program.

**Table A.2: Impact and Likelihood Factor Heat Map**

		Factor		
Impact Rating	High	Medium	High	Very High
	Medium	Low	Medium	High
	Low	Very Low	Low	Medium
		Low	Medium	High
		Likelihood Rating		

**Source:** Generated by OIG based on industry standard principles for risk management.

<sup>8</sup> Data mining is the practice of searching through large amounts of computerized data to find useful patterns or trends.

## Final Risk Assessment

OIG plotted the combined criteria rating in Table 1 with the combined impact and likelihood factor in Table 2 to determine the final risk assessment rating for the Department’s travel card program. Specifically, OIG used the final risk assessment heat map shown in Table A.3 to arrive at the overall risk assessment rating.

**Table A.3: Final Risk Assessment Heat Map**

		Final Rating		
		Medium	High	Very High
Impact and Likelihood Factor	Very High	Medium	High	Very High
	High	Medium	High	Very High
	Medium	Low	Medium	High
	Low	Very Low	Low	Medium
	Very Low	Very Low	Low	Medium
		Low	Medium	High
		Combined Criteria Rating		

**Source:** Generated by OIG based on industry standard principles for risk management.

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