



September 13, 2002

MEMORANDUM

FOR: M/AS, Roberto J. Miranda

FROM: IG/A/ITSA, Melinda G. Dempsey /s/

SUBJECT: Risk Assessment of Major Functions Within the Travel and Transportation Division of the Office of Administrative Services, Bureau for Management
(Report No. A-000-02-005-S)

This memorandum is our report on the subject risk assessment. Although this is not an audit report, this report contains suggestions for your consideration. We have reviewed your comments, and they are included as Appendix II. I appreciate the cooperation and courtesy extended to my staff during the risk assessment.

Background

The Office of Administrative Services, Bureau for Management, (M/AS) provides logistical support services and administrative services worldwide and is responsible for functions costing approximately \$40 million annually. It is comprised of the Office of the Director¹ and four divisions:

- Consolidation, Property and Services Division,²
- Information and Records Division,³
- Overseas Management Support Division,⁴ and
- Travel and Transportation Division.

During the past decade, the Office of Inspector General has performed few audits of the Office of Administrative Services' functions. In addition, the

¹ See risk assessment Report No. A-000-02-001-S.

² See risk assessment Report No. A-000-02-002-S.

³ See risk assessment Report No. A-000-02-003-S.

⁴ See risk assessment Report No. A-000-02-004-S.

Office of Administrative Services has received limited external reviews and evaluations from other sources. Given the lack of external independent reviews, including audits, we performed risk assessments of the major functions of the Travel and Transportation Division of the Office of Administrative Services.

The General Accounting Office's "Standards for Internal Control in the Federal Government" (November 1999) note that internal controls should provide reasonable assurance that agency objectives are being achieved, operations are effective and efficient, and assets are safeguarded against loss. Internal controls consist of the following five interrelated components. These components are the minimum level for internal control and provide the basis against which internal control is to be evaluated.

1. Management and employees should establish and maintain a control environment throughout the agency that sets a positive and supportive attitude toward internal control and conscientious management.
2. Internal control should provide for a risk assessment of the risks the agency faces from both external and internal sources.
3. Internal control activities should be effective and efficient in accomplishing the agency's control objectives and help ensure that management's directives are carried out.
4. Information should be recorded and communicated to management and others within the agency who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
5. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

This review focused on the second component—risk assessment. The GAO Standards note that the specific risk analysis methodology used can vary because of differences in agencies' missions and the difficulty in qualitatively and quantitatively assigning risk levels. This review assigned a risk exposure of either high, moderate, or low for each major function. A higher risk exposure simply indicates that the particular function is more vulnerable to its program objectives not being achieved or irregularities occurring. Appendix I describes in detail our risk assessment scope and methodology.

Discussion

The Travel and Transportation Division of the Office of Administrative Services, Bureau for Management, (M/AS) is responsible for the following five major functions.⁵ Our assessments of the risk exposure for each of these major functions are described below.

Function Description	Risk Exposure
Passports—Handling of passport applications and passports	Low
Risk Assessment Factors	
<ul style="list-style-type: none"> • Passport handling has limited dollar vulnerability. • Passports contain personal information critical for the safety and security of employees. • Contractor is currently responsible for delivering application to State Department and passport back to USAID. • Function has been transferred to a contractor who is responsible for the passport process. • Process is straightforward and simplistic. • Policies stated in ADS 522 are outdated and/or need revision. • Standard operating procedures are not documented. • Customer service standards have been established. Effective performance measurement has not yet been implemented. • Customer service feedback has been solicited for services provided since July 2001. 	

Function Description	Risk Exposure
Policy—Promulgation and interpretation of USAID and government travel policies	Moderate
Risk Assessment Factors	
<ul style="list-style-type: none"> • Policy interpretation can impact costs to USAID and/or individual employees. • Several travel policies are outdated. • Standard operating procedures are not documented. • Customer service standards have been established. Effective performance measurement, including the measurement of customer service, has not yet been implemented. 	

⁵ Our risk assessments only covered major functions. In addition to the major functions described in this report, the Travel and Transportation Division also is responsible for claims for personal property losses incident to government service, management of the USAID travel agent contractor, and technical assistance for the travel management software.

Function Description	Risk Exposure
Storage—Storage of household effects incident to government service	High
Risk Assessment Factors	
<ul style="list-style-type: none"> • USAID obligated \$850,000 in fiscal year 2001 for the storage of household effects. • Division does not know the number of employees with household effects in storage. Their best estimate ranges from 400 to 800 employees. • This function processed about 1,300 bills in fiscal year 2001. Approximately half of these bills were paid monthly even though the Division is attempting to institute quarterly billing. • This function comprises 85 percent of the Travel and Transportation Division budget. • No prior audits or other independent evaluations have been conducted since 1995. • Function is the primary responsibility of one staff person with two years' experience who also handles another function. • Training for the function is not standardized. • Current record keeping is lacking. The Division is implementing a computerized system to manage storage. Although the system is ready, it has not yet been used because data has not been entered. • Written procedures are out-of-date. • Billing reviews are limited in scope. Elements reviewed include employee eligibility and duplication. Elements not effectively reviewed include weight allowances and 90-day storage limit for employees returning to the U.S. Segregation of duties is limited in billing reviews. • Division has recently surveyed 350 customers from fiscal year 2001 regarding service. • Customer service standards have been established. Effective performance measurement, including the measurement of customer service, has not yet been implemented. 	

Function Description	Risk Exposure
Transportation of household effects incident to government service	High
Risk Assessment Factors	
<ul style="list-style-type: none"> • USAID obligated about \$6 million in fiscal year 2001. None of this amount is paid by the Travel and Transportation Division. Rather, the predominate portion of this amount was paid by USAID overseas missions with the balance paid by Washington bureaus. However, approximately half of these payments are made to shipping vendors selected by transportation counselors of the Travel and Transportation Division. • This function processes approximately 1,400 shipments (household effects, unaccompanied baggage, and consumables) in a fiscal year. • No prior audits or other independent evaluations have been conducted since 1995. • Function is staffed by three transportation counselors. • Training for the function is not standardized. • Internal control is minimal. • The procedures for the selecting/dropping of shipping vendors are not documented. • No system of logs maintained. • In response to an IG audit recommendation on the subject of processing of claims for personal property losses during an evacuation (Audit Report No. A-000-99-006-P), the Office of Administrative Services created a USAID version of the Department of State's Transportation guide ("It's Your Move"). However, its use is inconsistent, and there is no standard process or scheduled time for updating the information. • The Division plans to add current USAID information to the State web version of "It's Your Move". • Two of three staff persons have not been requested to submit the annual financial disclosure form or attend the annual ethics training despite substantial participation in an activity with a direct economic effect on a non-federal entity. • Division has recently surveyed 350 customers from fiscal year 2001 regarding service. • Customer service standards have been established. Effective performance measurement, including the measurement of customer service, has not yet been implemented. 	

Function Description	Risk Exposure
Travel authorization	Moderate
Risk Assessment Factors	
<ul style="list-style-type: none"> • Travel and Transportation Division processes approximately 4,000 travel authorizations in a fiscal year. • Travel authorizations are used for obligating travel funds in the USAID financial management system. • Travel authorization contains sensitive personal information. • Policies and procedures, including the applicable ADS, are out-of-date or lacking. • Division has recently surveyed 350 customers from fiscal year 2001 regarding service. • Customer service standards have been established. Effective performance measurement, including the measurement of customer service, has not yet been implemented. 	

Conclusion

Our risk assessments of the Travel and Transportation Division of the Office of Administrative Services, Bureau for Management, (M/AS) covered five functions and reached the following conclusions.

Function Description	Risk Exposure		
	High	Moderate	Low
Passports—Handling of passport applications and passports			✓
Policy—Promulgation and interpretation of USAID and government travel policies		✓	
Storage—Storage of household effects incident to government service	✓		
Transportation of household effects incident to government storage	✓		
Travel authorization		✓	

Based on these risk assessments, we suggest that the Office focus its efforts to mitigate higher risk associated with the functions of (1) storage of household effects and (2) transportation of household effects. Specifically for the storage function, we suggest that the Office:

- implement the available computerized system to manage storage,
- implement written procedures including billing reviews, and
- standardize training requirements.

Specifically for the transportation function, we suggest that the Office:

- implement written procedures including the selecting/dropping criteria for shipping vendors and a system of logs,
- require submission of annual financial disclosure statements and attendance at annual ethics training, and
- standardize training requirements.

Beyond these two high-risk functions, we suggest that the Office of Administrative Services institute the following improvements that generally cut across all major functions:

- update policies as needed including ADS chapters, and
- implement effective performance measurement systems, including the measurement of customer service.

Both the Travel and Transportation Division and Office of Administrative Services management agreed with our risk assessments and our suggested courses of action. The Office of Administrative Services noted in their comments on the draft report (see Appendix II) that these assessments of vulnerabilities were an opportune first step for the business transformation urged by the new Assistant Administrator for the Management Bureau.

Scope and Methodology**Scope**

The Office of Inspector General, Information Technology and Special Audits Division, conducted a risk assessment of major functions within the Travel and Transportation Division of the Office of Administrative Services, Bureau for Management (M/AS). This risk assessment was not an audit. The risk assessment covered operations principally for fiscal year 2001. The risk assessment was conducted at USAID headquarters in Washington, D.C. from October 12, 2001 to February 14, 2002.

Our risk assessments of the Travel and Transportation Division's major functions have the following limitations in their application.

- First, we assessed risk at the major function level only, not at the Division or Office level.
- Second, we assessed risk only. Our risk assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major functions. Consequently, we did not generally (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, and (c) determine if transactions were properly documented. If we were able to make these types of determinations within the scope of our work, we reported on them accordingly as part of our risk exposure assessments.
- Third, higher risk exposure assessments are not definitive indicators that program objectives were not being achieved or that irregularities were occurring. A higher risk exposure simply indicates that the particular function is more vulnerable to such events.
- Fourth, risk exposure assessments, in isolation, are not an indicator of management capability due to the fact that risk assessments consider both internal and external factors, some being outside the span of control of management.
- Fifth, comparison of risk exposure assessments between organizational units is of limited usefulness due to the fact that risk assessments consider both internal and external factors, some being outside the span of control of management.

Methodology

We interviewed officials as well as reviewed related documentation of major functions performed by the Travel and Transportation Division. These documents covered background, organization, management, budget, relevant laws and regulations, staffing responsibilities, prior reviews, internal controls, and risks (i.e., vulnerabilities). Our review of Travel and Transportation Division documentation was limited and

judgmental in nature and conducted principally to confirm oral attestations of management.

We identified the Travel and Transportation Division's major functions using the input of the Division Director and based on the significance and sensitivity of each major function. We determined risk exposure for all major functions in each division, e.g., the likelihood of significant abuse, illegal acts, and/or misuse of resources, failure to achieve program objectives, and noncompliance with laws, regulations and management policies. We assessed overall risk as high, moderate, or low. A higher risk exposure simply indicates that the particular function is more vulnerable to its program objectives not being achieved or that irregularities were occurring. We considered the following key steps in assessing risk:

- (a) determined significance and sensitivity;
- (b) evaluated susceptibility of failure to attain program goals, noncompliance with laws and regulations, inaccurate reporting, or illegal or inappropriate use of assets or resources;
- (c) were alert to "red" flags such as a history of improper administration or material weaknesses identified in prior audits/internal control assessments, poorly defined and documented internal control procedures, or high rate of personnel turnover;
- (d) considered management support and the control environment;
- (e) considered competence and adequacy of number of personnel;
- (f) identified and understand relevant internal controls, and
- (g) determined what is already known about internal control effectiveness.

These risk assessments were not sufficient to make definitive determinations of the effectiveness of internal controls for major functions. As part of the review methodology, we did (a) identify, understand, and document (only as necessary) relevant internal controls and (b) determine what was already known about the effectiveness of internal controls. However, we did not generally (a) assess the adequacy of internal control design, (b) determine if controls were properly implemented, nor (c) determine if transactions were properly documented. In some cases, we were able to make these assessments and reported on them accordingly as part our risk exposure assessments.

**Management
Comments**

March 19, 2002

MEMORANDUM

TO: Melinda Dempsey, IG/A/ITSA

FROM: Roberto J. Miranda, M/AS/OD

SUBJECT: Risk Assessment of Major Functions Within the Travel and
Transportation Division of the Office of Administrative
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(Report No. A-000-02-xxx-S)

M/AS/TT worked hand-in-hand with the Inspector General's office on this survey believing that this assessment of vulnerabilities was an opportune first step on the way to the business transformation urged by the new Assistant Administrator for the Management Bureau. We concur fully in the assessment of risk and recommendations based upon information available at the time of the survey.

Passports: SATO Travel is now fully in charge of the passport and visa functions. They have been given Standard Operating Procedures and are instructed to maintain reports of services provided. We are in the process of updating ADS 522 and will point to authoritative guidance from the State Department on passport issues.

Policy: At this point, only ADS 522 is outdated. This Chapter is scheduled to be circulated for clearance by May. Standard Operating Procedures were developed for all functions and coordinated by the Chief of Policy for inclusion in the Vital Records package. These SOPs will be updated as new procedures are implemented.

Storage: Since the time of this audit, M/AS/TT has investigated the State Department corollary function of storage tracking and payment. Effective monitoring and reporting of storage transactions are most efficiently provided within the STATS system managed by State. Efforts are underway to provide access for this purpose. The State Department has also offered to provide access and instruction to the Chief of M/AS/TT to develop a regular reporting system.

HHE Transportation: M/AS/TT recognizes the handling of household effects is a serious vulnerability. For this reason, strong weight is being given to applicants for the Chief position with a background in transportation management and transportation policy. The Acting Chief has secured a commitment from the State Department to allow access to and education about effective use of the STATS reporting tool. Many of the recommendations will provide guidance for the new Chief. An updated M/AS/TT web page will provide linkage to the State Department's "It's Your Move" as well as other important guidance.

Travel Authorization: On March 4, 2002, an updated log of TAs was put in effect which now records the time to process. This will enhance our performance measurement. Other aspects of this recommendation should be met with the release of the updated ADS 522.

In closing, M/AS/OD appreciates the professional assistance, courtesy and help of the IG staff, particularly as we work to implement your recommendations.