



Treasury Inspector General for Tax Administration Office of Audit

THE PURCHASE CARD PROGRAM LACKS CONSISTENT OVERSIGHT TO IDENTIFY AND ADDRESS INAPPROPRIATE USE

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Highlights

Highlights of Report Number: 2013-10-056 to the Internal Revenue Service Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

For the two fiscal years ending September 30, 2011, the IRS made more than 273,000 micro-purchases totaling nearly \$108 million using purchase cards and convenience checks. The IRS does not have the controls in place to provide assurance that improper purchases do not occur and appropriate corrective action is taken. Enhanced internal controls would provide greater assurance that IRS resources are being used more effectively and efficiently.

WHY TIGTA DID THE AUDIT

Our previous work on the IRS purchase card program found that overall management controls are not effective to ensure the appropriate use of IRS purchase cards. The overall objective of this review was to assess the effectiveness of IRS processes to identify questionable and abusive purchase card transactions.

WHAT TIGTA FOUND

While some controls are working as intended, the IRS purchase card program lacks consistent oversight to identify and address inappropriate use. TIGTA determined that the IRS does not have a policy in place to timely cancel purchase cards prior to employee separation. Of the 387 cards associated with employees who separated during our audit period, 98 percent were not closed prior to employee departure. TIGTA believes this could leave the IRS vulnerable to misuse. In addition, the IRS did not have sufficient guidance to define what qualifies as a split purchase for office supplies, which contributed to cardholders splitting purchases. Further, the controls the IRS currently has in place do not include a review specifically designed to detect personal use.

The majority of IRS cardholders appear to use their purchase cards properly. However, TIGTA identified some instances of inappropriate use that include

improper decorative and give-away items for managers' meetings and Combined Federal Campaign fundraising events. In addition, IRS representatives, who were entertaining foreign officials, used purchase cards to pay for multiple lunches, dinners, and related alcohol purchases. For example, one dinner had an approximate cost of \$140 per guest and another lunch cost \$100 per guest. TIGTA did not find any Department of the Treasury or IRS criteria to assess the reasonableness of these charges, but TIGTA considers the costs related to this entertainment to be high. Finally, the Credit Card Services Branch did not report for consideration of potential disciplinary action all instances of inappropriate purchase card use that it identified.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS update current purchase card guidance to require purchase card accounts to be closed prior to the date of a cardholder's separation, reduce pending transactions, and enhance guidance to clearly define what constitutes a split purchase. TIGTA also recommended that the IRS develop an oversight process to identify IRS employee personal use of purchase cards and other inappropriate purchase card transactions. Finally, TIGTA recommended that the IRS require the Credit Card Services Branch to report all instances of potential inappropriate use of purchase cards identified to the Labor and Employee Relations function for potential disciplinary action.

In their response to the report, IRS management agreed with all 11 recommendations and plans to develop and implement corrective actions.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2013reports/201310056fr.pdf>.

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