



*The Purchase Card Program Lacks
Consistent Oversight to Identify and
Address Inappropriate Use*

June 20, 2013

Reference Number: 2013-10-056

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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HIGHLIGHTS

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

Highlights

Final Report issued on June 20, 2013

Highlights of Reference 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, IRS management agreed with all 11 recommendations and plans to develop and implement corrective actions.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 20, 2013

MEMORANDUM FOR DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT
THE OFFICE OF DEPUTY COMMISSIONER FOR SERVICES AND
ENFORCEMENT

FROM: Michael E. McKenney
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Purchase Card Program Lacks Consistent
Oversight to Identify and Address Inappropriate Use
(Audit # 201210020)

This report presents the results of our review to assess the effectiveness of Internal Revenue Service (IRS) processes to identify questionable and abusive purchase card transactions. This review was conducted as part of the Treasury Inspector General for Tax Administration's Fiscal Year¹ 2013 Annual Audit Plan and addresses the major management challenge of Fraudulent Claims and Improper Payments.

Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

¹ A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

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Abbreviations

ALERTS	Automated Labor and Employee Relations Tracking System
CCS	Credit Card Services
CFC	Combined Federal Campaign
FY	Fiscal Year
IRS	Internal Revenue Service
PALS	Property Appraisal Liquidation Specialists
PTSP	Public Transportation Subsidy Program
TIGTA	Treasury Inspector General for Tax Administration



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Background

The Internal Revenue Service (IRS) is a participant in the General Services Administration's SmartPay purchase card program. This program was created in the late 1980s as a way for agencies to streamline the Federal acquisition process by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. The Debt Collection Improvement Act of 1996¹ requires that, with limited exceptions, Federal payments be made through electronic means. The purchase card is an affordable and convenient means for making electronic payments, and the Federal Acquisition Regulation² designated the purchase card as the preferred method for making purchases up to \$3,000.³ In order to accommodate purchases from vendors who do not accept credit cards, the SmartPay purchase card program also has a convenience check component that is to be used only as a payment of last resort because the Department of the Treasury has determined that use of checks do not qualify as electronic payments.⁴

While the use of purchase cards has been credited with reducing administrative costs and simplifying the acquisition process, Federal audits of agency purchase card programs have found varying degrees of waste, fraud, and abuse. One of the most common risk factors identified is a weak internal control environment. In a prior audit,⁵ we found that while some internal controls are working as intended, overall, the IRS's internal controls over the purchase card program are not effective to ensure the appropriate use of the cards. The audit report recommendations included placing a renewed emphasis on cardholder compliance with and agency enforcement of policies, improving and expanding oversight reviews, and providing additional guidance for cardholders. According to the Office of Management and Budget, internal control weaknesses

¹ Public Law 104-134 (Apr. 1996).

² 48 C.F.R. §13.201 (b) (May 2011).

³ For the purposes of this audit, we discuss the use of the purchase card primarily for micro-purchases less than \$3,000 (\$2,500 for services and \$2,000 for construction). We did not audit Treasury Commercial Vehicle cards. For our review of inappropriate purchase card use, we did include Warranted Contracting Officer cards. We did audit all components of the convenience check program, including Warranted Contracting Officers with convenience check privileges.

⁴ Convenience checks may not be written for: purchases above the micro-purchase limits; vendors who accept the purchase card; vendor transactions already under another method of acquisition; employee reimbursements; cash advances; salary payments, cash awards, or any transactions processed through the payroll system; travel-related transportation tickets; meals or lodging related to employee travel except as related to emergency incident response; and other restrictions as determined by Agency policy.

⁵ Treasury Inspector General for Tax Administration, Ref. No. 2011-10-075, *Controls Over the Purchase Card Program Were Not Effective in Ensuring Appropriate Use* (Aug. 2011).

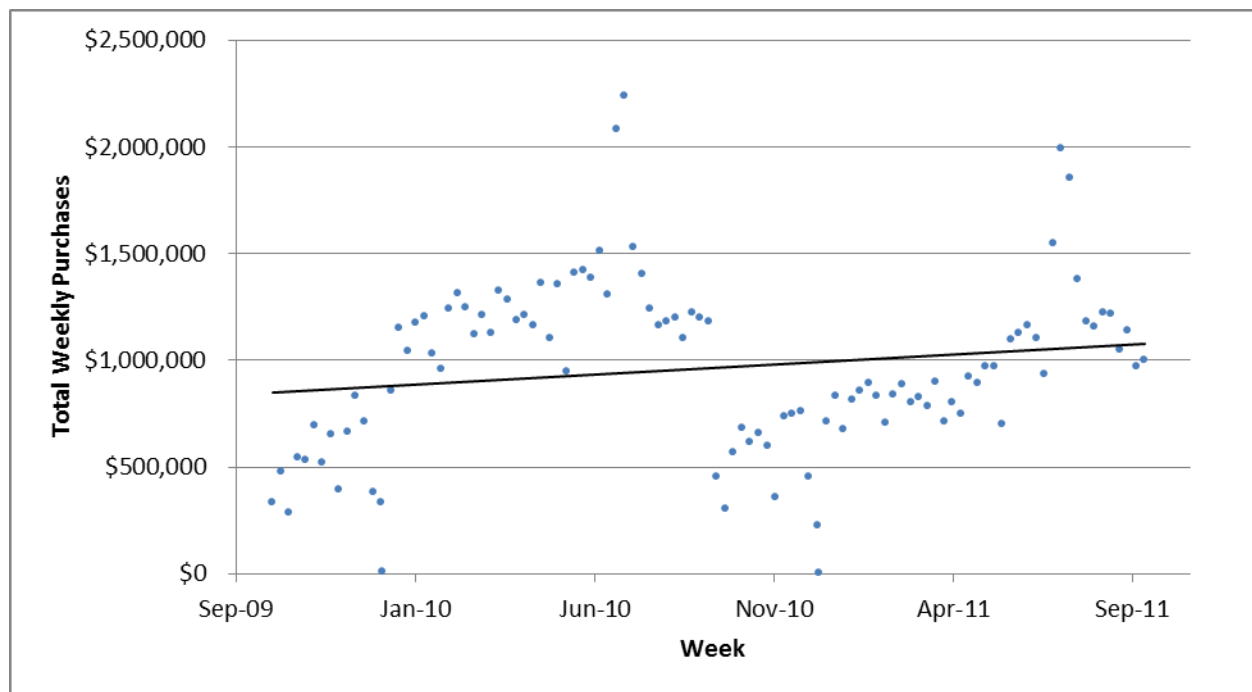


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may affect the IRS's ability to provide reasonable assurance that the objectives of effective and efficient operations and compliance with applicable laws and regulations are achieved.⁶

During Fiscal Years (FY)⁷ 2010 and 2011, the IRS purchase card program included 5,241 micro-purchase card accounts. The purchase cardholders made approximately 234,000 purchases totaling \$103.2 million with these cards. In addition, 53 purchase cardholders have access to convenience checks that are linked to their purchase card accounts. IRS convenience check writers wrote approximately 39,000 checks totaling \$4.4 million during this period, with an additional cost of \$128,000 in check fees. Figure 1 shows that the trend of purchase card usage remained stable during this period at an average of about \$965,000 per week.

Figure 1: Weekly Purchase Card Expenditures FYs 2010–2011



Source: Our analysis of the universe of 234,000 purchase card debit transactions made during FYs 2010 and 2011. The purchases are summarized by week, and the line represents the trend of purchase card expenditures over time. This analysis does not account for account credits resulting from returned items.

⁶ Office of Management and Budget, Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs* (Jan. 2009).

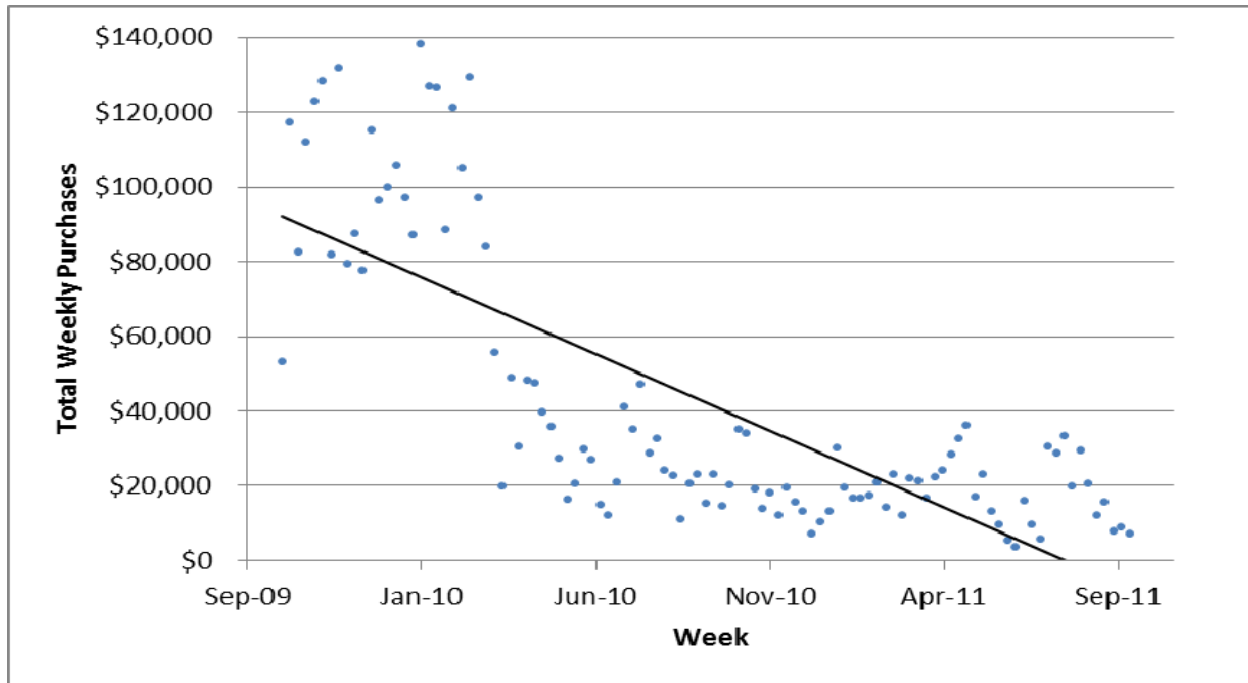
⁷ A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.



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Convenience check usage, however, decreased dramatically over time, primarily due to the discontinuation of the use of convenience checks in one of the IRS's programs that is now exclusively using an electronic form of payment (Figure 2).

Figure 2: Weekly Convenience Check Expenditures FYs 2010–2011



Source: Our analysis of the universe of 39,000 convenience checks posted to purchase card accounts during FYs 2010 and 2011. The purchases are summarized by week, and the line represents the trend of convenience check expenditures over time. This analysis does not include any convenience check fees or credits for checks where the payment was later stopped.

The Federal Acquisition Regulation establishes criteria for using purchase cards to make payments.⁸ In addition, the Office of Management and Budget provides oversight of the purchase card program and has issued guidance which establishes minimum requirements for Government purchase card programs and suggested best practices.⁹ Office of Management and Budget policy requires that agencies, among other things:

- Develop and maintain written policies and procedures that should be updated annually, or more frequently, to remain current.

⁸ 48 C.F.R. § 13 (Mar. 2012).

⁹ Office of Management and Budget, Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs* (Jan. 2009).



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- Provide mandatory training to purchase cardholders and other participants such as approving officials and agency/organization program coordinators.
- Implement risk management controls such as reviewing cardholder statements, ensuring separation of duties, maintaining a master file of cardholder records, performing reviews to detect misuse, maintaining and communicating disciplinary policy for misuse, and ensuring that property is accounted for, including sensitive and accountable property.
- Use convenience checks as a payment of last resort when vendors do not accept the purchase card, for emergency incident response, and for other agency-approved purchases that comply with the Debt Collection Improvement Act of 1996.

The IRS's purchase card policy is set forth in the Purchase Card Program Handbook and the Purchase Card Guide.¹⁰ The IRS Restricted Purchase list also provides cardholders detailed information on what is and is not an acceptable purchase.¹¹ Within the IRS, the Office of Procurement is responsible for providing policy guidance for the purchase card program as it relates to acquisition regulations, and the Credit Card Services (CCS) Branch is responsible for managing and providing oversight for the purchase card program. The CCS Branch's responsibilities include processing new account applications and performing account maintenance, providing training, issuing program guidance, and performing periodic program reviews. In addition, the CCS Branch is responsible for tracking and reporting to the Labor and Employee Relations function (hereafter referred to as Labor Relations)¹²—the IRS office responsible for advising and supporting managers on employee conduct and performance-related matters—instances of alleged inappropriate purchase card use as part of the process for determining and implementing the appropriate disciplinary action.

We analyzed data and information obtained from the Agency-Wide Shared Services, Employee Support Services, CCS Branch managers located in Jacksonville, Florida; Indianapolis, Indiana; and Nashville, Tennessee, during the period June 2012 through January 2013. This review focused on micro-purchase card transactions and internal controls in place in FYs 2010 and 2011. We assessed the design and implementation of four key internal controls responsible for preventing, detecting, and deterring inappropriate use. We did not evaluate other controls such as those related to training, funding, receipt and acceptance, timely payment and maximization of rebates, or tracking and monitoring sensitive and accountable property. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to

¹⁰ Internal Revenue Manual 1.32.6 (Jan. 21, 2010) and Document 9185, *Internal Revenue Service Purchase Card Guide* (Jan. 2012).

¹¹ Policy and Procedures Memorandum No. 70.11, *Internal Revenue Service Restricted Purchase List* (June 2011).

¹² Labor and Employee Relations is a function in the Human Capital Office within the Workforce Relations Division.



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provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Results of Review

Purchase Card Oversight Reviews Did Not Identify All Instances of Inappropriate Use

Although the IRS has controls to prevent inappropriate use, weaknesses in CCS Branch procedures to identify, report, and address inappropriate use leaves the IRS purchase card program vulnerable to repeated violations of applicable laws and regulations. The CCS Branch is responsible for both conducting periodic purchase card program oversight reviews to detect inappropriate use and reporting instances of inappropriate use to Labor Relations for disciplinary review. We evaluated two purchase card oversight reviews (purchase card cancellation review and split purchase review) the CCS Branch conducted in FYs 2010 and 2011 for effectiveness in identifying inappropriate use and the corrective actions taken as a result of the reviews. We re-performed these reviews and found that the reviews did not identify, and the CCS Branch did not report, all instances of purchase card inappropriate use that we identified. While each review identified some instances of potential inappropriate use, we found that the two CCS Branch reviews each had at least one control weakness in identifying the inappropriate use, addressing the inappropriate use, or pursuing disciplinary action. Until the CCS Branch strengthens internal guidance and compliance reviews and becomes more diligent about reporting inappropriate use, the IRS will remain vulnerable to violations of purchase card laws and regulations and a potential waste¹³ of resources through inappropriate use.

Purchase cards are not timely cancelled when a purchase cardholder leaves the IRS

We found that 378 (98 percent) of the 387 purchase cards were not cancelled prior to employee departure, despite the IRS's agreement to establish a procedure to timely cancel purchase cards in response to a recommendation from a prior Treasury Inspector General for Tax Administration (TIGTA) report.¹⁴

The Purchase Card Guide does not make explicit the procedure or time period for closing purchase card accounts when an employee separates. Instead, it directs the cardholder not to

¹³ According to Office of Management and Budget, Circular A-123, Appendix B, (Revised Jan. 2009), waste is defined as any activity taken with respect to a Government charge card that fosters, or results in, unnecessary costs or other program inefficiencies.

¹⁴ TIGTA, Ref. No. 2000-10-051, *Former Employees Had Access to Internal Revenue Service Credit Cards and Computers* (Apr. 2000).



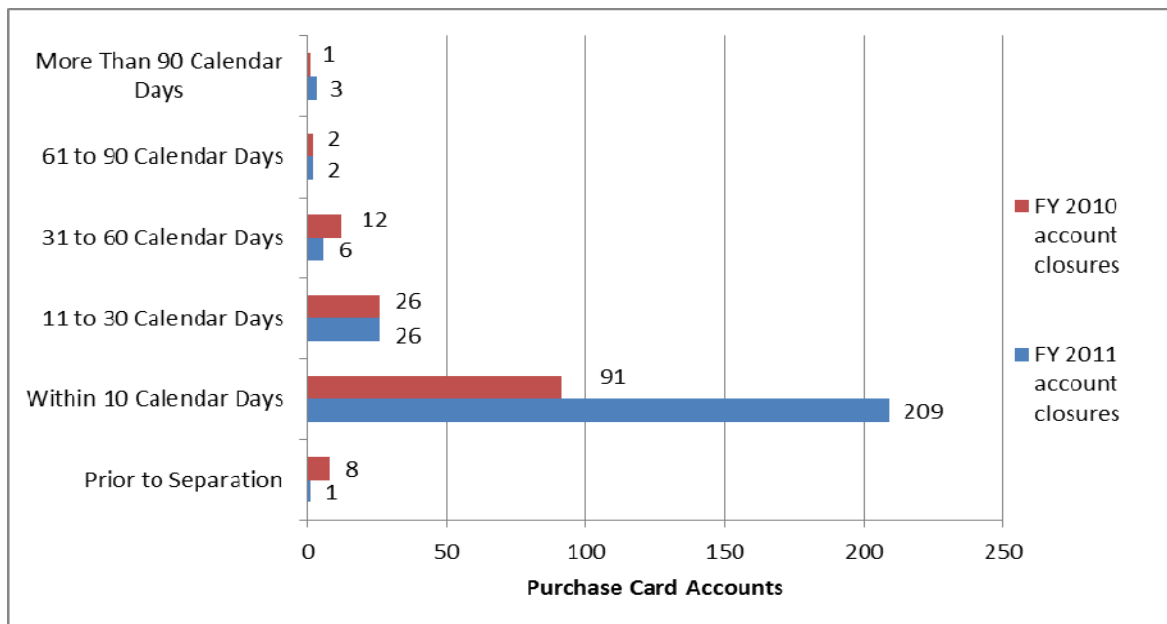
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take action to close their account when leaving the IRS's employment because purchase card accounts will be closed automatically. Although we found that purchase card accounts are not automatically closed when cardholders leave the IRS, the CCS Branch does have a process in place to close the accounts once all open purchase orders have been processed.

Our FY 2000 report found that the IRS had not ensured that access to Government credit cards (including purchase cards) was timely cancelled when cardholders left the IRS. TIGTA recommended that the IRS close purchase card accounts prior to or on the day of employee separation, or upon notification that the employee has left the IRS. The IRS agreed to set up a procedure to timely cancel purchase cards; however, it did not modify the Purchase Card Guide or the Purchase Card Program Handbook to include a policy to close accounts prior to or on the date of cardholder separation.

In FYs 2010 and 2011, 387 purchase cardholders separated from the IRS. The CCS Branch took an average of nine calendar days to close out the purchase card accounts during the period in our review; however, 20 percent of the purchase card accounts took longer than 10 calendar days to close after employee separation. Four purchase card accounts took more than 90 calendar days to close after employee separation, and the longest time to account closure was 252 calendar days, more than eight months after the employee left the IRS. Figure 3 shows the length of time from employee separation to purchase card account closure broken out by fiscal year.

Figure 3: Time From Employee Separation to Purchase Card Account Closure FYs 2010 and 2011



Source: Our analysis of the universe of 387 purchase card accounts associated with cardholders who left the IRS's employment during FYs 2010 and 2011.



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From the 387 purchase cardholders who separated from the IRS in FYs 2010 and 2011, we identified 17 purchase cards with 38 transactions that occurred after the cardholder's separation date.¹⁵ A total of 28 purchase card transactions totaling \$9,000 transpired between one and 18 calendar days following employee separation. Ten convenience check transactions totaling \$800 posted to the purchase card accounts between 21 and 147 calendar days following separation. It is the CCS Branch's practice to keep purchase card accounts open when the account has an approved purchase waiting for the vendor to process a charge. This was the case for all the transactions that we determined took place after the employees' separation. For the 28 transactions that were charged to the purchase cards, 27 were initiated by the cardholders prior to separation, and the vendors took additional time to charge the purchase cards, resulting in the transactions posting after the cardholders' separation. However, in one case, a vendor charged a recurring payment for equipment rental to one separated employee's card because that was the card the vendor typically charged and the IRS left the card account open due to another pending transaction.

The Purchase Card Guide contains direction for the approving officials for handling pending transactions in the absence of the cardholder, but does not include time frames for account closure after employee separation or specific guidance for handling transactions pending at the time of employee separation. Each of the 38 transactions that we identified after an employee's separation represented a legitimate business need; however, not timely closing purchase card accounts when employees separate from the IRS exposes the IRS to risks of financial loss by the separated employee or another individual using the card.

Recommendation

Recommendation 1: The Chief, Agency-Wide Shared Services, should update current purchase card guidance to require the CCS Branch to close purchase card accounts prior to the date of a cardholder's separation from the IRS to ensure that the number of pending transactions is minimized.

Management's Response: The IRS agreed with this recommendation and will:

1. Update purchase card guidance to advise purchase cardholders, purchase card approving officials, and/or managers to report a purchase cardholder's pending separation from the IRS to the CCS Branch for card closure.
2. Review Employee Clearance Reports for upcoming separations and take action to close purchase card accounts.

¹⁵ Of the 38 transactions that occurred after the cardholder separated, two were merchant credits and two were credits for fees charged by the credit card company. The purchase card accounts with credits also had merchant charges on or after the cardholder's separation date.



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3. Reduce the purchase card limit and restrict the merchant category code(s) to only allow pending transactions to process for accounts that cannot be closed prior to the cardholder's separation from the IRS.

Purchase cardholders continue to split purchases to circumvent established micro-purchase limits

Cardholders continue to split purchases into multiple transactions, and the CCS Branch is still not effectively identifying, evaluating, or referring cardholders who split purchases for potential disciplinary action. When purchases are split in this manner, normal procurement policies and procedures are not followed and the micro-purchase/single-transaction dollar limits are circumvented. Split purchase transactions can also result in the overpayment for goods and services. The CCS Branch did not evaluate all potential split purchases we identified or refer for potential disciplinary action all cardholders who split purchases as a result of insufficient guidance explaining specific split purchase scenarios.

One of the primary functions of the purchase card is to simplify the acquisition process by allowing employees to obtain necessary supplies to perform their duties without requiring the expertise of a contracting officer to make the purchase. Federal regulations allow a purchase cardholder to make micro-purchases where the total cost of the purchase does not exceed \$3,000 (\$2,500 for supplies; \$2,000 for construction). The IRS purchase card program has card limits in place that prevent a purchase card from processing a single transaction that exceeds \$3,000—the upper bound of the micro-purchase limit. When a purchase cardholder coordinates with a vendor to have a purchase split into multiple transactions to circumvent the card limits, this is called splitting a purchase, and it is a violation of Federal regulations and IRS policy.¹⁶ If a cardholder requires goods or services from a vendor that exceed the micro-purchase threshold, the cardholder is required to notify the Office of Procurement so the appropriate competitive process is used to ensure that the IRS gets the best value for the items required.

Our FY 2011 report identified IRS purchases that were potentially split into two or more transactions to circumvent purchase limits. TIGTA made several recommendations, including making modifications to the split purchase oversight reviews to look at the entire population of purchase transactions for potential split purchases. The IRS agreed to our recommendations and began implementing a new quarterly split purchase oversight review for purchase card transactions posting after April 3, 2011. These reviews were designed to analyze all IRS purchase card transactions in the review period to identify groups of transactions that were made

¹⁶ 48 C.F.R. 13.003 (b)(1) (Mar. 2012), 13.201 (May 2011), 13.202 (Dec. 1997), 13.301 (Dec. 2009); Internal Revenue Manual 1.32.6.7.4 (Jan. 2010); and Document 9185, *Internal Revenue Service Purchase Card Guide*, (Jan. 2012).



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by a single cardholder, on the same day, with the same vendor, and a total purchase price that exceeds \$3,000.¹⁷ Figure 4 depicts the components of a potential split purchase.

Figure 4: Components of a Potential Split Purchase Transaction



Source: Our depiction of the components of a potential split purchase that the IRS split purchase review intended to identify: one card, one day, one vendor, and multiple transactions that total more than \$3,000. A split purchase can also occur with the same vendor over multiple days, or on the same day when the same or similar items are purchased from multiple vendors.

The design and implementation of the oversight review intended to identify potential split purchases is only somewhat effective. The first quarterly review evaluated 28,700 purchase card transactions totaling approximately \$12 million. The CCS Branch identified 296 potential split purchase transactions in this review. During the second quarterly review, the CCS Branch evaluated 37,500 purchase card transactions totaling approximately \$17 million and identified another 523 potential split purchases.¹⁸

We re-performed the CCS Branch quarterly reviews to identify groups of two or more transactions that were:

- Performed by the same cardholder.
- Conducted with the same vendor.
- Charged on the same day.

¹⁷ A split purchase may include transactions that occur over a number of days. The oversight review test is designed to detect the most likely split purchase transactions that occur on a single day, but it cannot detect every instance of a split purchase.

¹⁸ The first quarterly review period was from April 4, 2011, through July 3, 2011 (referred to as April – June). The second quarterly review period was from July 4, 2011, through October 3, 2011 (referred to as July – September).

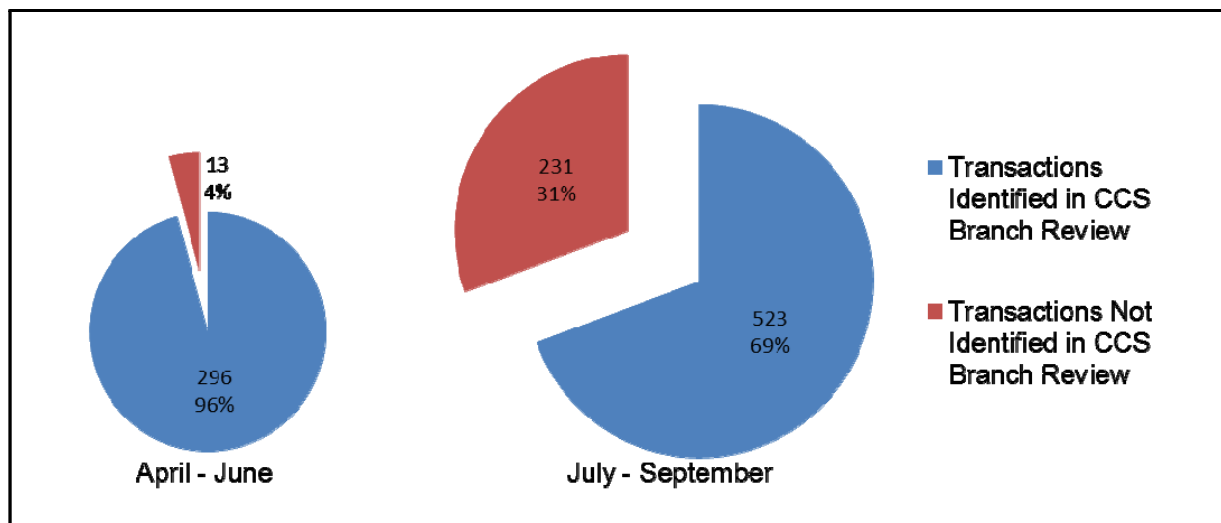


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- In excess of \$3,000.

For both quarterly review periods, we identified the same transactions that the CCS Branch identified as well as additional potential split purchase transactions. In total, we identified 244 potential split purchases that the IRS's reviews did not identify. Figure 5 shows the proportion of potential split purchase transactions that the CCS Branch identified in comparison to those that we identified for the same time period.

Figure 5: Potential Split Purchase Transactions April–September 2011



Source: Our analysis of 66,200 purchase card transactions for potential split purchases using the criteria of a single purchase card, single date, single vendor, and multiple transactions exceeding \$3,000 in total.

The IRS's analysis of these 1,063 potential split purchase transactions determined the following:

- 327 of the 819 transactions that the CCS Branch identified in its reviews were components of 112 split purchases totaling \$448,000.
- 34 of the 244 transactions that our tests identified were components of 11 split purchases totaling \$45,100.

The CCS Branch determined that 74 of the 244 transactions that we identified were not split purchases. For the remaining 136 potential split purchase transactions totaling \$154,000, the CCS Branch would not make a determination on whether or not the transactions were actually components of split purchases due to a lack of published internal guidance on how to define split purchases of desktop supplies such as paper, toner, and general office supplies. Our prior audit recommended that the IRS update the Purchase Card Guide to include examples of split purchase scenarios. While the January 2012 update of the Purchase Card Guide did include three split purchase examples—outservice training, towing, and recurring expenses—the update did not



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include a scenario to address the most commonly occurring split purchase which is desktop supplies.

In addition, the CCS Branch did not refer confirmed instances of split purchases to Labor Relations as required. Splitting a purchase is a violation of Federal regulations and IRS policy which dictate that inappropriate use will be referred to Labor Relations for review and recommendation on the appropriate disciplinary action. The CCS Branch confirmed that 361 transactions were components of 123 split purchases from April 4, 2011, through October 3, 2011. The total value of the split purchases was more than \$493,000 (2 percent) of the approximately \$29 million spent during that period. Ninety-four cardholders were responsible for the split purchases identified, and 22 of those cardholders split purchases more than once within a six-month period. One cardholder split five purchases into 13 transactions totaling almost \$22,000. However, the CCS Branch did not refer any of the cardholders who split the purchases, including the 22 cardholders who made split purchases more than once, to Labor Relations for a determination on the appropriate disciplinary action. The CCS Branch stated that due to a lack of internal guidance, it would not pursue disciplinary action in these cases. While the IRS may have had a valid business need to purchase these items, it should have used another procurement method.

Recommendations

The Chief, Agency-Wide Shared Services, should:

Recommendation 2: Improve split purchase oversight reviews conducted by the CCS Branch by using data analysis techniques to identify all groups of transactions that occur by a single cardholder, on the same day, with the same vendor, and a total purchase price that exceeds \$3,000. In addition, require the CCS Branch to conduct an analysis to determine which purchases identified were split to circumvent procurement policies and report all cardholders who split purchases to Labor Relations for disciplinary review, tracking, and appropriate disciplinary action.

Management's Response: The IRS agreed with this recommendation and will update the review guidelines for identifying split purchases to ensure that all transactions by a single cardholder, on the same day, with the same vendor, and with a total purchase price that exceeds the individual's single transaction limit are identified. The IRS will analyze what is identified and refer all confirmed split purchases to Labor Relations.

Recommendation 3: Update the IRS Purchase Card Guide and current policy to include examples to clearly explain scenarios that constitute a split purchase of desktop supplies.

Management's Response: The IRS agreed with this recommendation and stated that the Purchase Card Guide will be revised with the Office of Procurement Policy's updated



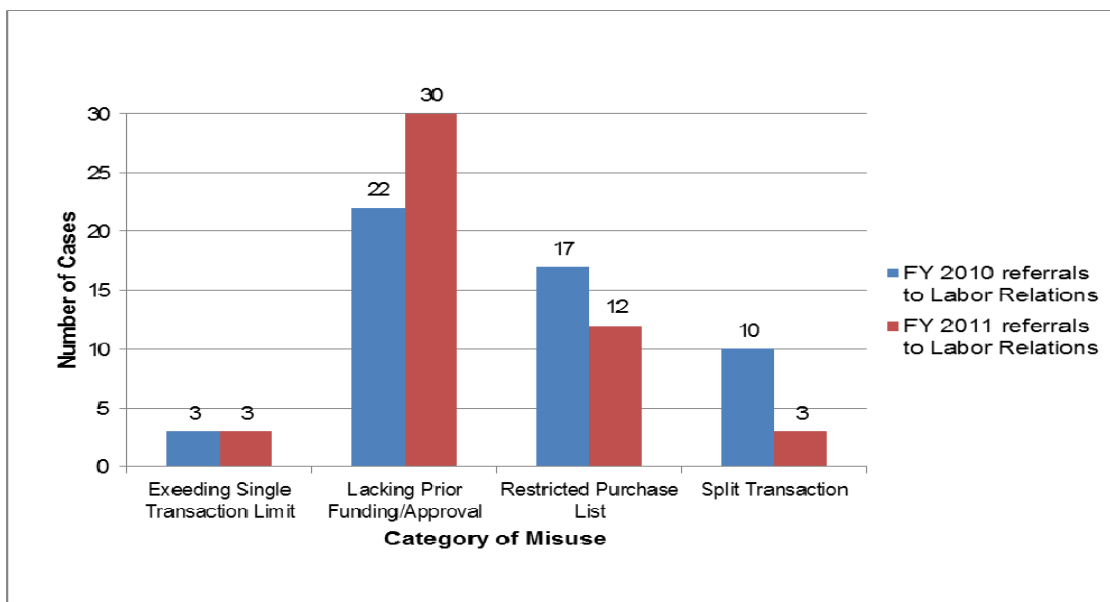
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definition of a split purchase. Examples of supplies and services purchases will be updated in the Purchase Card Guide to explain the definition of a split purchase.

Consistency Is Needed in Identifying and Reporting Inappropriate Use

While most purchase cardholders comply with agency policies and use their purchase cards and convenience checks appropriately, some misuse does occur. The CCS Branch identified more than 249 inappropriate purchase card transactions during FYs 2010 and 2011. Of those instances identified, the CCS Branch failed to refer 149 inappropriate transactions to Labor Relations for disciplinary review and tracking within the Automated Labor and Employee Relations Tracking System (ALERTS). The CCS Branch made a decision not to refer to Labor Relations the employees who made these transactions due to a lack of clear written guidance on specific types of purchases and in situations where the CCS Branch elected to use internal training to correct the employee's behavior. In addition, disciplinary actions taken by IRS managers against employees who misused their purchase cards are consistently less than recommended by IRS penalty guidelines. In FYs 2010 and 2011, the IRS identified and reported to Labor Relations inappropriate use such as cardholders exceeding the single transaction limit, purchases without prior funding or approvals, items from the restricted purchase list, and split purchases. Figure 6 shows the distribution of inappropriate use identified and reported by category and fiscal year.

Figure 6: IRS Referrals to Labor Relations – Categories of Misuse



Source: Our analysis of 100 purchase card referrals the CCS Branch provided to IRS Labor Relations in FYs 2010 and 2011.

The CCS Branch did not refer all identified cases of inappropriate use to Labor Relations as required. When the CCS Branch conducts its oversight reviews of the purchase card program, it



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is responsible for documenting inappropriate use and forwarding the cases to Labor Relations. During FYs 2010 and 2011, the CCS Branch identified 30 cases of convenience check misuse as part of its oversight reviews or at the time of check issuance, yet the CCS Branch reported only four of the identified cases to Labor Relations as required. In addition, the CCS Branch confirmed that 361 transactions were components of 123 split purchases from April 4, 2011, through October 3, 2011. However, the CCS Branch did not refer any of the 94 cardholders who split the purchases, including those cardholders who split purchases more than once, to Labor Relations for review and consultation with IRS management who makes a determination on the appropriate disciplinary action. A referral for corrective and disciplinary action could have reduced the number of cardholders that made split purchases more than once. For example, our review of split purchases determined that 22 of the 94 cardholders who were responsible for the split purchases identified made split purchases more than once, splitting between two and five purchases during the six-month review period.

In addition, the Office of Chief Counsel (Chief Counsel) did not evaluate for the appropriate disciplinary action five cases of inappropriate use identified by the CCS Branch. It is Labor Relations' practice to forward cases associated with Chief Counsel employees to Chief Counsel for its own determination on the appropriate disciplinary action. Chief Counsel cases are not documented in the ALERTS the same way that all other cases of employee infractions are documented. We became aware of the cases when the CCS Branch provided us with all of the cases of inappropriate use it identified in the audit period. A representative from Chief Counsel stated that no action was taken on the five purchase card inappropriate use cases that were referred by the CCS Branch. The Chief Counsel employees who received the reports did not understand that the reports were related to potential employee infractions. Rather, these employees considered the reports to be informational highlighting procurement "mistakes" that needed to be corrected to obtain the requested items, not information on potential employee infractions that may require action.

The IRS penalty guide provides a range of disciplinary actions that can be applied for each violation of policy or inappropriate use. On a case-by-case basis, there may be a level of variation in the disciplinary actions administered depending on other mitigating factors, such as past work performance, prior disciplinary record, and whether the infraction is a first offense. However, we determined that actions taken for FYs 2010 and 2011 referrals were consistently less than IRS penalty guidelines. Ninety-three of the 100 referrals for purchase card misuse resulted in disciplinary actions by IRS managers that were less severe than those suggested in the IRS penalty guidelines. IRS guidelines ultimately give IRS managers the flexibility to deviate from suggested corrective discipline depending on the facts and circumstances of each case. However, Federal guidelines on penalties for inappropriate use suggest at least a letter or counseling for a first offense. Eight of the cases that were referred for potential inappropriate use did not meet that minimum standard. The lack of consistent action to address purchase card misuse reduces the overall effectiveness of controls over the purchase card program, provides a



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no deterrent factor for purchase card misuse, and leaves the purchase card program vulnerable to repeated violations of applicable laws and regulations.

Recommendations

Recommendation 4: The Chief, Agency-Wide Shared Services, should require the CCS Branch to report all instances of potential inappropriate use of purchase cards, identified through program oversight reviews or other means, to Labor Relations for disciplinary review and tracking in the ALERTS.

Management's Response: The IRS agreed with this recommendation and will refer all instances of confirmed inappropriate use, identified through purchase card program oversight reviews or other means, to Labor Relations for review and tracking in the ALERTS.

Recommendation 5: Chief Counsel should require management to evaluate all instances of potential inappropriate use of purchase cards by Chief Counsel employees that are forwarded from Labor Relations and take appropriate action.

Management's Response: The IRS agreed with this recommendation and stated that on or before March 30, 2013, Chief Counsel instituted a process requiring management officials to evaluate all referrals of potential inappropriate use of purchase cards by employees that were received from Labor Relations.

Improper and Potentially Fraudulent Purchases Were Identified

While we did not find a significant amount of improper purchases in our limited testing,¹⁹ we found instances of improper use related to managers' meetings, team-building exercises, and Combined Federal Campaign (CFC) fundraising activities. According to the Office of Management and Budget, an improper purchase is any purchase that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.²⁰

¹⁹ We selected a judgmental sample of 288 purchase card transactions based on item descriptions, merchant names, and merchant category codes that were indicators of potentially improper purchases. We conducted an in-depth analysis of transaction documentation and laws and regulations relating to 52 of the 288 transactions that we found most likely to be improper. We determined that 10 of the 52 transactions were improper, and we referred an additional 38 potentially fraudulent transactions, in addition to the 52 transactions, to TIGTA's Office of Investigations for further research. A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.

²⁰ Office of Management and Budget, Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs* (Jan. 2009).



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

We identified almost \$4,000 in improper decorative and give-away items that were approved through the required IRS process. When these improper transactions were presented to IRS management, they did not concur with our assessment that these items were inappropriate. The IRS does not have an oversight process currently in place to identify potentially inappropriate items purchased, such as items purchased for personal use or cardholders who may be abusing the purchase card. This represents a control weakness because it is the CCS Branch's functional responsibility to identify and refer instances of inappropriate use.

When we presented to the IRS the instances of improper purchases we identified, it held that Federal law supports purchases for training, decorative items, and use of appropriated funds to support CFC expenditures; however, our review of the applicable authorities determined that these items were improper.²¹ Figure 7 shows examples of the types of improper purchases identified in our review.

Figure 7: Improper Purchase Card Transactions

Items Purchased	Amount
Popcorn machine rental, game rentals, and give-away prizes such as sports balls, bandanas, plush animals, sunglasses, and Stove Top Hats for CFC Events.	\$3,152
Novelty decorations and give-away items, such as kazoos, bathtub toy boats, and Thomas the Tank Engine rubber wristbands, for managers' meetings.	\$418
Toys purchased for team-building exercise and distributed to participants.	\$161
Nerf footballs purchased for a team-building exercise but never used and currently stored in a filing cabinet.	\$119
Jigsaw puzzle and world's largest crossword puzzle purchased for team building.	\$89
Total	\$3,939

Source: Our analysis of 52 transactions identified these transactions as indicative of improper use.

²¹ For the training purchases we reviewed: Government Organization and Employees 5 U.S.C. § 4109, 5 C.F.R. § 410.401(a), as well as 5 U.S.C. § 4101(4); for decorative items we reviewed: 60 Comp. Gen. 580 (1981), 41 C.F.R. § 101-26.103-2, 57 Comp. Gen. 385 (1978), as well as 51 Comp. Gen. 797 (1972); for CFC expenditures we reviewed: 31 U.S.C. § 1301(a), 10 Op. Off. Legal Counsel 9 (1986), 1996 U.S.C Comp. Gen. LEXIS 414 (1996), 67 Comp. Gen. 254 (1988), 70 Comp. Gen. 248 (1991) as well as the CFC regulations, 5 C.F.R. § 950; and for entertainment for foreign officials we reviewed: B-20085 (1941) and 14 Comp. Dec. 344 (1907).



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

The IRS correctly claims that it may use appropriated funds to purchase items related to CFC fundraising events; however, the necessary expense rule²² states that the expenditure must be logically related, as determined by the agency, to the appropriation's objective and contribute to the agency's mission. The U.S. General Accounting Office²³ previously found similar IRS CFC purchases improper because those items are not essential to supporting the CFC.²⁴ Finally, decorative items and give-away items for personal use are on the Department of the Treasury's Do Not Buy List and are improper purchases. However, the IRS stated that it considers these items appropriate when purchased in conjunction with managers' meetings and team-building exercises. In addition to being prohibited, the purchase of these items, especially when they are not used, is particularly wasteful.

Entertainment expenses

In addition, we identified \$12,474 in entertainment-related purchase card expenditures connected to a five-day International Executive Conference. In FY 2010, the IRS requested and was authorized by the Office of Management and Budget to spend up to \$126,500 for the purposes of hosting a conference at which the attendees from many of the world's largest countries met to consider and discuss issues of global and national tax administration in their respective countries and, specifically, mutual tax compliance challenges. The IRS was thus authorized to spend this money for the purpose of entertaining foreign officials. However, we did not find any Department of the Treasury or IRS criteria to assess the reasonableness of these entertainment expenses. TIGTA considers the cost of the expenses related to this conference to be high. For example, we identified a dinner at an approximate cost of \$140 per person, four times the Federal Government per diem rate in Washington, D.C. In addition, a lunch at this same conference cost the IRS \$100 per person, five times the Federal Government per diem rate in Washington, D.C.²⁵ Further, the alcohol purchases at this luncheon, although allowed when entertaining foreign Government officials, included more than 28 bottles of wine for 41 guests. In all, this week's meals, receptions, and meetings, which included multiple lunches, dinners, and catered receptions, totaled more than \$50,000.

²² 31 U.S.C. § 1301(a) (Jan. 2012).

²³ Effective July 7, 2004, the General Accounting Office's name was changed to the Government Accountability Office.

²⁴ Matter of: IRS Purchase of T-Shirts for Employees Contributing Certain Amounts to the Combined Federal Campaign, 70 Comp. Gen. 248 (1991).

²⁵ The per diem rates for lunch and dinner in Washington, D.C., were \$18 and \$36, respectively, at the time this conference occurred.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Potentially fraudulent purchases

We identified one purchase cardholder who made 38 transactions totaling \$2,655 for what appeared to be personal purchases and provided potentially falsified (or fraudulent) receipts to justify the purchases made.²⁶ Information that the vendor provided to the credit card company indicates that this cardholder purchased diet pills, romance novels, steaks, a smart phone, and baby-related items such as bottles, games, and clothing with her purchase card; however, the cardholder claims that the same transactions were for reference books and office supplies. The IRS does not currently perform an oversight review to evaluate merchant names or item descriptions for potentially inappropriate transactions; however, such a review could have identified the unnecessary items previously discussed as well as these purchases of potentially personal items. We referred this matter to TIGTA's Office of Investigations for further review.

Further, we identified two purchase cardholders with charges on their purchase cards from merchants affiliated with online pornography. Each of these cardholders reported their card stolen or compromised, one on multiple occasions, and had the charge for pornography credited to the purchase card account. While we have not determined as part of this audit whether or not the employees actually purchased the pornography and falsely reported the cards stolen or compromised, we did discover that both of these former cardholders had multiple purchase card accounts during the time that they were cardholders, and one of these cardholders had a total of seven purchase card accounts, five of which were closed and reported by the employee as being lost, stolen, or counterfeit. Currently, the IRS does not track the number of purchase card account closures due to a lost, stolen, or compromised card, and it does not track whether a cardholder reported a stolen or compromised card to the credit card company (Citibank) and TIGTA's Office of Investigations as required. Cardholders claiming numerous cards as lost or stolen, particularly those with potentially fraudulent charges incurred, is a red flag that should trigger further review by the IRS. In the case of both of the pornography charges, the cardholders did not inform TIGTA of the fraudulent purchases on their accounts as required. We referred the matter regarding the cardholder who is still employed by the IRS to TIGTA's Office of Investigations for further review.

Recommendations

Recommendation 6: The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should reemphasize to all purchase cardholders, supervisors, funding officials, and approving officials the importance of purchasing items only in compliance with applicable authorities and necessary to complete their mission.

²⁶ Potentially fraudulent, for the purposes of this report, is any use of the purchase card in apparent violation of Federal criminal statute or civil code.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Management's Response: The IRS agreed with this recommendation and will issue a communication to purchase cardholders, managers of purchase cardholders, approving officials, and funding officials to reemphasize the importance of only purchasing items in compliance with applicable authorities and necessary to complete their mission.

The Chief, Agency-Wide Shared Services, should:

Recommendation 7: Monitor and review purchase cardholder accounts and refer for investigation cases of individuals with multiple account closures due to lost, stolen, or compromised cards. Also, monitor whether cardholders report lost or stolen cards to TIGTA's Office of Investigations, as required, and follow up with cardholders to ensure that they follow the proper procedures.

Management's Response: The IRS agreed with this recommendation and will develop a review process to identify multiple account closures due to lost, stolen, or compromised cards and refer cardholders who have multiple account closures with potential fraudulent activity to TIGTA for investigation. The IRS will follow up with cardholders to confirm they properly reported stolen/compromised cards to TIGTA.

Recommendation 8: Develop an oversight process to identify IRS employee personal use and other inappropriate or abusive types of purchase card transactions.

Management's Response: The IRS agreed with this recommendation and will implement a review process to identify potential personal and/or inappropriate purchase card transactions.

The Convenience Check Program Lacks Consistent Oversight

The CCS Branch established preventive and detective reviews to manage, monitor, and verify that cardholders are adhering to agency policies and procedures when using convenience checks. However, in some instances controls are not implemented effectively, which increases the risk for misuse and resulted in some policy noncompliance going undetected. The convenience check program may also be vulnerable to misuse due to limited CCS Branch oversight over some components of the program. Federal guidance and IRS policy require oversight of the convenience check program; however, the IRS directly monitors only one out of four convenience check programs.²⁷ While we did not find any inappropriate personal use of the convenience checks we reviewed, we determined that the CCS Branch did not report instances of procedural misuse identified as part of the only oversight review that the CCS Branch performed.

²⁷ Transactions from the remaining three convenience check programs, Public Transportation Subsidy Program, Property Appraisal Liquidation Specialists, and Office of Procurement, are included in a random sample of purchase card transactions reviewed monthly by the CCS Branch.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

In addition, when check writers received convenience check requests for uses that did not conform to internal IRS policies and procedures, they knowingly issued the checks anyway. Without enforcement of management's directives, the IRS is vulnerable to inappropriate use of the convenience check program and waste of resources.

Convenience check use was limited to 53 check writers from five program groups; however, at the end of FY 2010, the Small Business/Self-Employed Division Lien Program ended its convenience check program, which accounted for 69 percent of the total dollar amount of convenience checks issued during FY 2010. Currently, there are four groups within the IRS that have convenience check writing capabilities: the CCS Branch, the Public Transportation Subsidy Program (PTSP),²⁸ the Property Appraisal Liquidation Specialists (PALS),²⁹ and the Office of Procurement. Figure 8 shows the FY 2011 proportion of convenience check use by program group.³⁰ The CCS Branch, which may issue checks on behalf of anyone in the IRS, accounts for \$439,000 (46 percent) of the total dollar amount of convenience checks. The PTSP makes up the next largest portion of the convenience check purchases with \$320,000 (33 percent), and the PALS and Office of Procurement check writers account for \$131,000 (14 percent) and \$67,000 (7 percent), respectively.

²⁸ The PTSP offers reimbursements to employees for their commuting costs to work when they use public transportation. Those who participate in vanpools or who live in a smaller community with public transportation that does not participate in a national reimbursement program developed by the Department of Transportation are issued convenience checks for their transportation reimbursement.

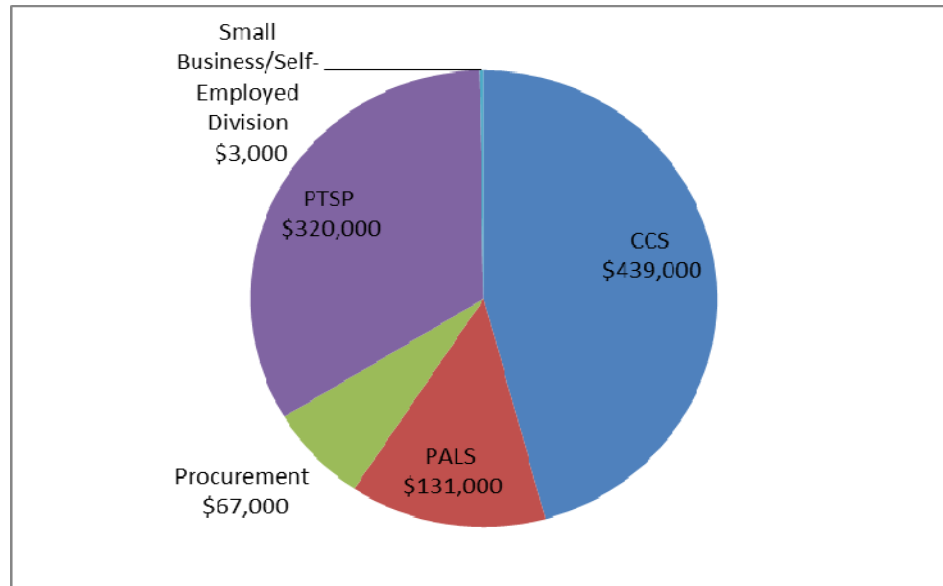
²⁹ The PALS travel regionally to assess, clean up, maintain, and prepare seized assets for sale. They require the use of convenience checks because they often work with local vendors who do not accept credit cards.

³⁰ The FY 2011 composition of the convenience check program is a more accurate reflection of the current program than the combined FYs 2010 and 2011 composition due to the Small Business/Self-Employed Division Lien Program discontinuing the use of convenience checks as of March 2011.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Figure 8: FY 2011 Convenience Check Use by Program Group



Source: Our analysis of 3,438 convenience checks that posted in FY 2011.

No personal use of convenience checks identified

We did not identify any inappropriate personal use of the convenience checks we reviewed. The Convenience Check Program Desk Guide³¹ outlines the appropriate use of the convenience check. Some restrictions on convenience check use include a prohibition on vendors who accept the purchase card, items on the restricted purchase list, using the convenience check to circumvent electronic purchase card controls, and employee reimbursements. It is essential that the convenience check is used only as a payment of last resort, such as when a vendor will not accept another payment method and an alternate vendor is not available, because there are additional fees associated with convenience check use—\$1 per check plus 2 percent of the purchase price. We reviewed a judgmental sample of transactions covering all four of the convenience check programs to look for inappropriate use and specifically for personal use of the convenience check.³² We selected transactions for review based on risk factors for inappropriate use such as vendors that might not be related to a valid business need, frequency of vendor use, or amounts approaching the single transaction limit. In addition, we compared all PTSP reimbursements to personnel records to ensure that reimbursements were provided only to active

³¹ *Internal Revenue Service Desk Guide for Convenience Check Program* (CCS internal document, dated May 2011).

³² We reviewed a judgmental sample of convenience checks issued in FYs 2010 and 2011 as follows: the CCS Branch—492 of 2,240 checks written; the PALS—126 of 728 checks written; Office of Procurement—59 of 194 checks written; and the PTSP—all 3,895 checks written.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

employees. We did not find any indications that check writers were inappropriately using the selected convenience checks for personal use.

CCS Branch convenience check policy noncompliance

The CCS Branch's first oversight review of the CCS Branch convenience check program did not identify all instances of policy noncompliance. The CCS Branch convenience check program is the largest of the four programs, and CCS Branch check writers are responsible for a high volume of transactions. As a result, reviews of this program component are especially important to protect the IRS from inappropriate use and policy noncompliance. The CCS Branch check program is composed of a primary and a secondary check writer. The primary CCS Branch check writer is the single highest spender in the purchase card program, with more than \$786,000 in convenience checks during FYs 2010 and 2011—0.7 percent of total purchase card expenditures. The CCS Branch's annual review of three months of the CCS Branch convenience checks did not identify all instances of policy noncompliance that we identified in the same review period. In addition, we identified additional instances of policy noncompliance outside of the CCS Branch's limited three-month review period. We reviewed a judgmental sample of 492 checks from 2,240 checks the CCS Branch check writers issued during our audit period and found that 70 (14 percent of those reviewed) transactions totaling \$35,000 did not conform to IRS policies. We did not review the PTSP, the PALS, and Office of Procurement programs for policy noncompliance. Categories of noncompliance in the CCS Branch convenience check program include checks written:

- Prior to receiving funding and approval.
- To merchants who accept credit cards.
- With insufficient documentation to support the check amount.
- As components of split purchases.
- For items on the restricted purchase list.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Figure 9 shows the number of noncompliant CCS Branch convenience checks identified in each category.

Figure 9: CCS Branch Convenience Check Writers Program Noncompliance Identified

Program Noncompliance Category	Checks	Amount
Purchases made prior to funding verification or approval	25	\$7,880
Merchant accepts purchase card	25	\$9,672
Insufficient documentation	8	\$4,529
Split purchase	6	\$8,788
Restricted purchase list item	3	\$406
Multiple issues ³³	2	\$1,132
Exceeds micro-purchase limit for services (\$2,500)	1	\$2,600
Total	70	\$35,007

Source: Our analysis of a judgmental sample of 492 checks issued by CCS Branch check writers during FYs 2010 and 2011.

The CCS Branch review of 262 checks written from January through March 2011 identified 26 of the 70 instances of program noncompliance we identified.³⁴ Of the 44 remaining checks, 22 checks were a part of the 2011 review period but were not identified by the CCS Branch. However, the CCS Branch disagreed with our findings on noncompliance for 19 of the 22 checks. Eighteen checks were outside of the three-month oversight review period, and the check writers themselves reported the remaining four checks to Labor Relations for noncompliance. The CCS Branch check review was ineffective in identifying vendors who accept credit cards and potential split purchases. In addition, limitations from selecting only a three-month review period for the CCS Branch convenience check oversight review hinders the IRS's ability to detect check writer noncompliance with the program requirements. The review weaknesses put the IRS at risk of violating applicable convenience check laws and regulations, and the IRS cannot reasonably ensure that noncompliant purchases do not occur.

³³ One purchase was both a restricted purchase list item and made prior to funding verification or approval (\$60.00) and the other purchase was made prior to funding verification or approval and the merchant accepted the purchase card (\$1,071.84).

³⁴ The CCS Branch reviewed 295 checks that were written from January through March 2011. We focused on the 262 checks requested for payment for goods and services. The remaining 33 checks were for emergency salary payments, checks that were voided, or checks where payment was stopped.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Reporting convenience check misuse

CCS Branch check writers could have identified and reported all of the program noncompliance issues they experienced prior to issuing the requested convenience checks, but failed to do so. CCS Branch check writers are the first line of defense against inappropriate use. The CCS Branch check writer is responsible for ensuring that requests for payment via convenience check meet all program requirements prior to issuing the check. At that time, the check writer may report requesters for inappropriate use when they have obligated the Government for a payment without receiving prior funding or approvals or when they are requesting a personal reimbursement for purchasing items that could have been purchased with the purchase card. CCS Branch check writers identified and correctly reported the inappropriate use to Labor Relations for four of 70 instances of inappropriate use that we identified, yet they still issued the checks.

The check writer may refuse to issue a check for items on the restricted purchase list, to a vendor who accepts a credit card, for purchases that exceed the micro-purchase limit, or for purchases that may be split to avoid the micro-purchase limit. All cases of noncompliance that we identified could have been detected by the check writer prior to issuing the check, and in many cases, could have been prevented by the check writer refusing to issue the check. Without the check writers providing proactive detection of inappropriate use, the IRS is at risk of violating applicable laws and regulations, and the IRS cannot ensure that inappropriate purchases do not occur.

In addition, the CCS Branch did not report any of the 26 instances of policy noncompliance identified in their program oversight review to Labor Relations for disciplinary review and tracking. Enforcement is an essential component of the internal control environment, and without enforcement of the managements controls, the IRS will continue to be at risk for noncompliance with applicable laws and regulations.

Convenience check waiver expires soon

The IRS needs to develop a plan to replace the use of convenience checks for emergency salary payments, cash advances for travel, and employee reimbursements such as the public transportation reimbursements provided by the PTSP. Federal regulations restrict the use of convenience checks for these types of payments; however, the IRS received a five-year waiver to allow issuance of convenience checks for these restricted items. The waiver expires in 2014, and the IRS does not currently have a plan in place to reimburse employees currently receiving PTSP payments via convenience check or those with emergency salary or travel advance needs. Employees may be at risk of not receiving their transportation subsidies and other necessary reimbursements, or the IRS may be at risk of violating Federal regulations if the IRS does not timely develop an alternate means of employee reimbursement.



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Recommendations

Recommendation 9: The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should reemphasize to all purchase cardholders, supervisors, funding officials, and approving officials that convenience checks are to be used only as a payment of last resort and any requests to CCS Branch check writers for this payment vehicle will be denied if they do not comply with program requirements.

Management's Response: The IRS agreed with this recommendation and will issue a communication to all employees regarding the appropriate use of the convenience check program.

The Chief, Agency-Wide Shared Services, should:

Recommendation 10: Consider expanding and improving CCS Branch convenience check oversight reviews and requiring the CCS Branch to refer all inappropriate use to Labor Relations for disciplinary review, tracking, and appropriate disciplinary action.

Management's Response: The IRS agreed with this recommendation and will implement quarterly reviews and will refer all confirmed inappropriate use identified to Labor Relations.

Recommendation 11: Develop and implement a plan to replace the use of convenience checks for emergency salary payments, travel advances, PTSP payments, and other employee reimbursements prior to the 2014 expiration of the waiver allowing the use of convenience checks.

Management's Response: The IRS agreed with this recommendation and will develop a plan to replace the use of convenience checks for emergency salary payments, travel advances, PTSP payments, and other employee reimbursements prior to the expiration date of the current waiver.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective was to assess the effectiveness of IRS processes to identify questionable and abusive purchase card transactions. To accomplish this objective, we:

- I. Assessed the adequacy of the purchase card internal control environment and agency compliance with established Federal regulations and agency policies, specifically directed at identifying and correcting instances of card misuse or inappropriate purchases.
 - A. Reviewed Federal regulations, IRS policies, Citibank policies, and Office of Management and Budget guidance that govern the use of the Government purchase card and documented any deviations in IRS policy from the Federal guidance.
 - B. Interviewed key IRS personnel from the CCS Branch, the Office of the Chief Financial Officer, Office of Procurement, and Labor and Employee Relations to understand and document their roles and responsibilities in the purchase card program, procedures and practices for executing those roles, and their concerns about potentially fraudulent or abusive use of the purchase card program.
 - C. Identified, obtained, and evaluated purchase card reviews conducted by the CCS Branch to detect inappropriate purchase card transactions during the period October 1, 2009, through September 30, 2011.
 - D. Assessed IRS processes for responding to cases where IRS employees were identified as having inappropriate purchase card transactions and assessed the conformity of the response with IRS policy.
 1. Reviewed ALERTS data containing prior cases of purchase card misuse from October 1, 2009, through September 30, 2011, and documented types of misuse, frequency, final case dispositions, and conformity of the final dispositions with IRS policy.
 2. Documented the outcome of any cases of IRS purchase card abuse that were criminally prosecuted.¹
- II. Identified, obtained, and evaluated the sufficiency and reliability of electronic data received from Citibank and IRS systems to ensure that the amounts are reasonable and the dates were within the appropriate period.

¹ Only one instance of a purchase card abuse was prosecuted.



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- A. Obtained Citibank purchase card transactions from October 1, 2009, through September 30, 2011. We obtained documentation from the Data Center Warehouse that they verified the record counts and control totals when the data were received from Citibank. We determined completeness of the data files by identifying if the data contained blank fields or missing fields. We conducted reasonableness checks on selected data fields to ensure that the amounts were reasonable and the dates were within the period. We reconciled annual purchase card expenditures indicated in Citibank data to totals provided by the CCS Branch. We determined the data were reliable.
 - B. Obtained Treasury Integrated Management Information System data for active and separated employees. We relied on validation procedures performed by the Data Center Warehouse because they regularly download and maintain these files. We compared a judgmental sample² of the first 30 of 4,533 active purchase cardholders by card number to the IRS Discovery Directory to ensure that the cardholders were listed as employees. We compared a judgmental sample of the first 30 of 336 separated purchase cardholders by card number to the IRS Discovery Directory to ensure that the cardholders are no longer listed as employees. We used a judgmental sample in both cases due to the large number of accounts and the limited audit resources available. We determined the data were reliable.
 - C. Obtained ALERTS data for purchase card misuse. We determined completeness of the data files by identifying if the data contained blank fields or missing fields. We conducted reasonableness checks on selected data fields to ensure that the amounts were reasonable and the dates were within the appropriate period. We determined the data were reliable.
- III. Determined whether controls over the IRS's purchase card program adequately prevent, detect, and deter questionable and abusive transactions.
- A. Assessed the effectiveness of processes and procedures to cancel purchase cards for employees who have separated from the IRS.
 - 1. Obtained and evaluated reviews conducted by the CCS Branch between October 1, 2009, and September 30, 2011, and determined whether its processes were effective for cancelling purchase cards for separated employees.
 - 2. Analyzed Citibank purchase cardholder data for FYs 2010 and 2011 to determine whether the cardholders appeared in the Treasury Integrated Management Information System as active employees.

² A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

- a. For those cardholders who did not appear to be active employees, utilized Treasury Integrated Management Information System separated employee data to determine whether the cardholder had separated from the IRS.
 - b. Identified any cardholders who did not appear in either Treasury Integrated Management Information System active or separated employee files.
 3. Analyzed Citibank purchase card transactions to identify unauthorized purchases made after the employee's date of separation. If unauthorized purchases occurred after separation:
 - a. Determined whether the cardholder's manager or other IRS official retrieved the card upon the employee's separation.
 - b. Determined whether the IRS identified the purchases and the actions taken to resolve the issue.
- B. Assessed the corrective actions taken in response to our prior audit³ in identifying IRS employees who improperly split purchases into multiple transactions in order to circumvent single transaction limits.
1. Identified, obtained, and evaluated reviews conducted by the CCS Branch to detect and deter split purchase transactions from April 4, 2011,⁴ through October 3, 2011.
 2. In order to re-perform the selected CCS Branch reviews, we identified purchase card transactions from April 4, 2011, to October 3, 2011, that were potential split purchases. This included groups of transactions made by a single cardholder with the same vendor, on the same day, and a total cost exceeding \$3,000.
 - a. Requested supporting documentation to determine whether the purchases complied with regulations and policies.
 - b. Determined whether the IRS identified the potential split purchase transactions and what actions were taken to rectify the issue. We referred all potential split purchase transactions that the CCS Branch did not identify for IRS review.
 3. Determined whether there are patterns of abuse where a single cardholder had multiple split purchase transactions from April 4, 2011, to October 3, 2011.

³ TIGTA, Ref. No. 2011-10-075, *Controls Over the Purchase Card Program Were Not Effective in Ensuring Appropriate Use* (Aug. 2011).

⁴ In response to our prior report, the IRS implemented a change to split purchase reviews on May 3, 2011. The IRS indicated that the split purchase review is now conducted using Citibank's data mining tool, and 100 percent of the transactions that posted April 4, 2011, and later are reviewed.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

- C. Determined whether controls were adequate to ensure that cardholders were appropriately using convenience checks.
1. Identified, obtained, and evaluated convenience check reviews conducted by the CCS Branch to prevent, detect, and deter inappropriate use of convenience checks for the period October 1, 2009, through September 30, 2011.
 2. Selected judgmental samples⁵ of convenience checks issued from October 1, 2009, through September 30, 2011, that represented the highest likelihood of questionable and abusive purchases as follows: the CCS Branch—492 of 2,240 checks written; the PALS—126 of 728 checks written; Office of Procurement—59 of 194 checks written; and the PTSP—all 3,895 checks written. We used a judgmental sample due to the large number of checks and limited auditor resources available.
 - a. Requested supporting documentation to determine whether the purchases complied with regulations and policies.
 - b. Determined whether the IRS identified any of the transactions that we identified as not appearing to comply with regulations and policies.
- D. Determined whether controls were adequate to reasonably ensure that the CCS Branch timely detects inappropriate purchase card transactions.
1. Identified, obtained, and evaluated purchase card reviews conducted by the CCS Branch to prevent, detect, and deter inappropriate use of the purchase card for the period of October 1, 2009, through September 30, 2011.
 2. Selected a judgmental sample⁶ of 288 purchase card transactions from 233,600 transactions made by IRS purchase cardholders from October 1, 2009, through September 30, 2011, that represented the highest likelihood of questionable and abusive purchases. We used a judgmental sample due to the large number of purchase card transactions and limited auditor resources available.
 - a. Requested supporting documentation to determine whether the purchases complied with regulations and policies.

⁵ We selected CCS Branch, PALS, and Office of Procurement transactions for review based on risk factors for inappropriate use such as vendors who could be used for personal use, frequency of vendor use, or amounts nearing the single transaction limit. We reviewed all PTSP transactions.

⁶ We selected transactions for review based on risk factors for inappropriate use such as merchant category codes, vendor names, item descriptions that could be used for personal use, or amounts nearing the single transaction limit.



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- b. Determined whether the IRS detected the transactions that we identified as potentially noncompliant with applicable regulations and policies.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: Federal regulations; Department of the Treasury Directives; and IRS policies, procedures, and practices for administering the purchase card program and preventing, detecting, and reporting inappropriate use. We evaluated these controls by interviewing management and analysts responsible for performing oversight reviews, reviewing applicable documentation, testing the effectiveness of selected oversight reviews, and analyzing selected transactions.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Appendix II

Major Contributors to This Report

Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

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Alicia Mrozowski, Director

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Allison P. Meyer, Auditor

Jeffrey Stieritz, Auditor



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Appendix III

Report Distribution List

Principal Deputy Commissioner
Office of the Commissioner – Attn: Chief of Staff C
Chief Counsel CC
Chief, Agency-Wide Shared Services OS:A
Chief Financial Officer OS:CFO
IRS Human Capital Officer OS:HC
Director, Employee Support Services OS:A:ESS
Director, Procurement OS:A:P
Director, Workforce Relations Division OS:HC:R
Director, Advisory and Insolvency SE:S:FC:AI
Director, Risk Management Division OC:CTO:SP:RM
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:
 Chief Counsel CC
 Chief, Agency-Wide Shared Services OS:A
 Chief Financial Officer OS:CFO
 IRS Human Capital Officer OS:HC



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Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Protection of Resources – \$221,232 (Actual; \$45,100 (see page 6) and Potential; \$176,132 (see pages 6 and 19).

Methodology Used to Measure the Reported Benefit:

To determine the protection of resources, we analyzed an extract of Citibank database purchases made by IRS purchase cardholders between April 4, 2011, and October 3, 2011, to identify potential split purchases. Our criteria included transactions that were:

- Performed by the same cardholder.
- Conducted with the same vendor.
- Charged on the same day.
- In excess of \$3,000.

Our analysis identified a greater number of potential split purchases than the CCS Branch previously identified in their split purchase oversight review. We identified an additional 244 transactions, of which the CCS Branch confirmed 34 transactions were components of 11 split purchases totaling \$45,100. While the IRS may have had a valid business need to purchase these items, it should have used another procurement method. For 136 potential split purchase transactions totaling \$154,000 that we identified, the CCS Branch did not make a determination on whether or not the transactions were actually components of split purchases due to a lack of published internal guidance on how to define split purchases of desktop supplies such as paper, toner, and general office supplies. In addition, we analyzed a judgmental sample¹ of 492 checks from 2,240 checks the CCS Branch check writers issued during our audit period.

¹ A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population. We selected these transactions for review based on risk factors for inappropriate use such as vendors who could be used for personal use, frequency of vendor use, or amounts nearing the single transaction limit.



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

We identified \$22,132² for checks written to merchants that accept credit cards, as components of split purchases, and for an item that exceeded the micro-purchase limit for services (\$2,500).

Type and Value of Outcome Measure:

- Funds Put to Better Use –Potential; \$7,060 (see pages 15 and 19).

Methodology Used to Measure the Reported Benefit:

We identified \$3,939 in improper give-away items. When these improper transactions were presented to the IRS, it did not concur with our assessment. The IRS claims that Federal law supports these purchases for training,³ decorative items,⁴ and CFC expenditures;⁵ however, our review of the applicable authorities determined that some of the items purchased were improper.

We also identified one purchase cardholder who made 38 transactions totaling \$2,655 for what appeared to be personal purchases and provided potentially falsified receipts to justify the purchases made. Information that the vendor provided to the credit card company indicates that this cardholder purchased diet pills, romance novels, steaks, a smart phone, and baby-related items such as bottles, games, and clothing with her purchase card; however, the cardholder claims that the same transactions were for reference books and office supplies. We referred this matter to TIGTA's Office of Investigations for further review.

In addition, we identified \$466 in CCS Branch convenience checks that were issued for items on the restricted purchase list.

² This figure includes transactions where the merchant accepted the purchase card (\$9,672); potential split purchases (\$8,788), which exceeded the micro-purchase limit for services (\$2,600); and one transaction that was identified as having multiple issues, including the merchant accepted the purchase card (\$1,072).

³ Government Organization and Employees, 5 U.S.C. § 4109.

⁴ 60 Comp. Gen. 580 (1981), as well as the 41 C.F.R. § 101-26.103-2.

⁵ 67 Comp. Gen. 254 (1988), as well as the CFC regulations, 5 C.F.R. Part 950.



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Appendix V

Management's Response to the Draft Report

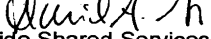


CHIEF
AGENCY-WIDE
SHARED SERVICES

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

May 21, 2013

MEMORANDUM FOR MICHAEL E. MCKENNEY
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: David A. Grant 
Chief, Agency-Wide Shared Services

SUBJECT: Draft Audit Report – The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use (Audit # 201210020)

Thank you for the opportunity to respond to the subject draft audit report. We are committed to ensuring proper oversight of our purchase card program and appreciate your review of our efforts.

We agree with all eleven of your recommendations and will develop and implement the corrective actions detailed in our attached responses to the specific recommendations. Please note that one of the proposed corrective actions has already been implemented.

We appreciate the continued support and assistance provided by your office. If you have any questions, please contact me at (202) 622-7500, or a member of your staff may contact Mary Beth Murphy, Director, Employee Support Services, at (202) 283-7784. For matters concerning audit procedural follow-up, please contact Larry Pugh, Resource & Operations Management, Agency-Wide Shared Services, at (202) 622-4541.

Attachment



The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use

Attachment

RECOMMENDATION 1:

The Chief, Agency-Wide Shared Services, should update current purchase card guidance to require the Credit Card Services (CCS) Branch to close purchase card accounts prior to the date of a cardholder's separation from the IRS to ensure the number of pending transactions is minimized.

CORRECTIVE ACTION:

We agree with this recommendation. The Chief, Agency-Wide Shared Services (AWSS), will:

1. Update purchase card guidance to advise Purchase Cardholders, Purchase Card Approving Officials, and/or Managers to report a Purchase Cardholder's pending separation from the IRS to the CCS Branch for card closure.
2. Review Employee Clearance Reports for upcoming separations and take action to close purchase card account.
3. Reduce the purchase card limit and restrict the Merchant Category Code (MCC) Code(s) to only allow pending transactions to process for accounts that cannot be closed prior to the cardholder's separation from the IRS.

IMPLEMENTATION DATE:

February 28, 2014.

RESPONSIBLE OFFICIAL:

Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services (ESS) will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 2:

The Chief, Agency-Wide Shared Services, should improve split purchase oversight reviews conducted by the CCS Branch by using data analysis techniques to identify all groups of transactions that occur by a single cardholder, on the same day, with the same vendor, and a total purchase price that exceeds \$3,000. In addition, require the CCS Branch to conduct an analysis to determine which purchases identified were split to circumvent procurement policies and report all cardholders who split purchases to Labor Relations for disciplinary review, tracking, and appropriate disciplinary action.

CORRECTIVE ACTION:

We agree with this recommendation. The Chief, AWSS, will update the review guidelines for identifying split purchases to ensure all transactions by a single cardholder, on the same day with the same vendor with a total purchase price that



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exceeds the individual's single transaction limit, are identified. We will analyze what is identified and refer all confirmed split purchases to Labor Relations.

IMPLEMENTATION DATE:

February 28, 2014

RESPONSIBLE OFFICIAL:

Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 3:

The Chief, Agency-Wide Shared Services, should update the IRS Purchase Card Guide and current policy to include examples to clearly explain scenarios that constitute a split purchase of desktop supplies.

CORRECTIVE ACTION:

We agree with this recommendation. The Purchase Card Guide will be revised with the Office of Procurement Policy's updated definition of a split purchase. Examples of supplies and services purchases will be updated in the Purchase Card Guide to explain the definition of a split purchase.

IMPLEMENTATION DATE:

February 28, 2014

RESPONSIBLE OFFICIAL:

Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 4:

The Chief, Agency-Wide Shared Services, should require the CCS Branch to report all instances of potential inappropriate use of purchase cards, identified through program oversight reviews or other means, to Labor Relations for disciplinary review and tracking in the ALERTS.

CORRECTIVE ACTION:

We agree with this recommendation. The Chief, AWSS, will refer all instances of confirmed inappropriate use, identified through purchase card program oversight reviews or other means, to Labor Relations for review and tracking in ALERTS.



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IMPLEMENTATION DATE:

February 28, 2014

RESPONSIBLE OFFICIAL:

Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 5:

The Chief Counsel should require management to evaluate all instances of potential inappropriate use of purchase cards by Chief Counsel employees that are forwarded from Labor Relations and take appropriate action.

CORRECTIVE ACTION:

We agree with this recommendation. On or before March 30, 2013, Chief Counsel instituted a process requiring management officials to evaluate all referrals of potential inappropriate use of purchase cards by our employees that we receive from Labor Relations.

IMPLEMENTATION DATE:

Completed March 30, 2013

RESPONSIBLE OFFICIAL:

Associate Chief Counsel (Finance & Management)

CORRECTIVE ACTION MONITORING PLAN:

Corrective action will be entered into JAMES as completed.

RECOMMENDATION 6:

The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should reemphasize to all purchase cardholders, supervisors, funding officials, and approving officials the importance of purchasing items only in compliance with applicable authorities and necessary to complete their mission.

CORRECTIVE ACTION:

We agree with this recommendation. The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement will issue a communication to Purchase Cardholders, Managers of Purchase Cardholders, PC Approving Officials, and funding officials to reemphasize the importance of only purchasing items in compliance with applicable authorities and necessary to complete their mission.



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IMPLEMENTATION DATE:

October 1, 2013

RESPONSIBLE OFFICIAL:

Chief, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 7:

The Chief, Agency-Wide Shared Services, should monitor and review purchase cardholder accounts and refer for investigation cases of individuals with multiple account closures due to lost, stolen, or compromised cards. Also, monitor whether cardholders report lost or stolen cards to TIGTA's Office of Investigations, as required, and follow up with cardholders to ensure that they follow the proper procedures.

CORRECTIVE ACTION:

We agree with this recommendation. The Chief, AWSS, will develop a review process to identify multiple account closures due to lost, stolen, or compromised cards and refer cardholders who have multiple account closures with potential fraudulent activity to TIGTA for investigation. We will follow up with cardholders to confirm they properly reported stolen/compromised cards to TIGTA.

IMPLEMENTATION DATE:

February 28, 2014

RESPONSIBLE OFFICIAL:

Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 8:

The Chief, Agency-Wide Shared Services, should develop an oversight process to identify IRS employee personal use and other inappropriate or abusive types of purchase card transactions.

CORRECTIVE ACTION:

We agree with this recommendation. The Chief, AWSS, will implement a review process to identify potential personal and/or inappropriate purchase card transactions.



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IMPLEMENTATION DATE:

October 1, 2013

RESPONSIBLE OFFICIAL:

Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 9:

The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should reemphasize to all purchase cardholders, supervisors, funding officials, and approving officials that convenience checks are to be used only as a payment of last resort, and that any requests to the CCS Branch check writers for this payment vehicle will be denied if they do not comply with program requirements.

CORRECTIVE ACTION:

We agree with this recommendation. The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement will issue a communication to all employees regarding the appropriate use of the convenience check program.

IMPLEMENTATION DATE:

October 1, 2013

RESPONSIBLE OFFICIAL:

Chief, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 10:

The Chief, Agency-Wide Shared Services, should consider expanding and improving the CCS Branch convenience check oversight reviews and requiring the CCS Branch to refer all inappropriate use to Labor Relations for disciplinary review, tracking and appropriate disciplinary action.

CORRECTIVE ACTION:

We agree with this recommendation. The Chief, AWSS, will implement quarterly reviews and will refer all confirmed inappropriate use identified to Labor Relations.



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IMPLEMENTATION DATE:

October 1, 2013

RESPONSIBLE OFFICIAL:

Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION 11:

The Chief, Agency-Wide Shared Services, should develop and implement a plan to replace the use of convenience checks for emergency salary payments, travel advances, Public Transportation Subsidy Program (PTSP) payments, and other employee reimbursements prior to the 2014 expiration of the waiver allowing the use of convenience checks.

CORRECTIVE ACTION:

We agree with this recommendation. The Chief, AWSS, will develop a plan to replace the use of convenience checks for emergency salary payments, travel advances, PTSP payments, and other employee reimbursements prior to the expiration date of the current waiver.

IMPLEMENTATION DATE:

April 1, 2014

RESPONSIBLE OFFICIAL:

Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN:

Employee Support Services will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.