



Treasury Inspector General for Tax Administration Office of Audit

REVIEW OF THE INTERNAL REVENUE SERVICE'S PURCHASE CARD VIOLATIONS REPORT

Issued on July 25, 2014

Highlights

Highlights of Report Number: 2014-10-048 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

Federal audits of agency charge card programs have found varying degrees of fraud, waste, and abuse. On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), which reinforced Administration and congressional efforts to prevent fraud, waste, and abuse of Governmentwide charge card programs.

WHY TIGTA DID THE AUDIT

This review was initiated because the Charge Card Act requires each agency with more than \$10 million in purchase card spending in the prior fiscal year to submit semiannual reports of employee purchase card violations and the disposition of those violations, including disciplinary actions taken. The overall objective of this review was to assess the IRS's implementation of and compliance with the law's requirements for the period October 1, 2013, to March 31, 2014.

WHAT TIGTA FOUND

TIGTA found that the IRS identified and reported two instances of confirmed purchase card misuse and three instances of purchase card misuse pending investigation in its Purchase Card Violations Report. However, TIGTA's independent review identified three additional cases of confirmed purchase card misuse during the reporting period that resulted in an agency action taken in response. The five confirmed purchase card misuse cases all related to prohibited purchases for nominal sums, totaling about \$300. In addition to the three cases pending investigation identified by the IRS, TIGTA identified two additional purchase card misuse cases pending final IRS action and one pending TIGTA investigation.

The difference in what the IRS and TIGTA reported both for confirmed and pending cases is primarily related to

the IRS's interpretation of the term "reportable violation." The IRS did not consider confirmed purchase card misuse a reportable violation if a loss to the Government occurred but the Government was "made whole" by repayment by the responsible cardholder or if the Government purchase card was credited for return of the prohibited goods.

TIGTA also reviewed the IRS's current credit card guidance and determined that IRS policies and controls have been established that are designed to mitigate the risk of fraud and inappropriate Government travel and purchase charge card practices, including controls that address centrally billed travel card accounts. Finally, we reviewed a draft version of the Department of the Treasury Charge Card Management Plan and determined that it had been updated to reflect the Charge Card Act's new internal control requirements related to centrally billed travel card accounts.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report. However, key IRS officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201410048fr.pdf>.